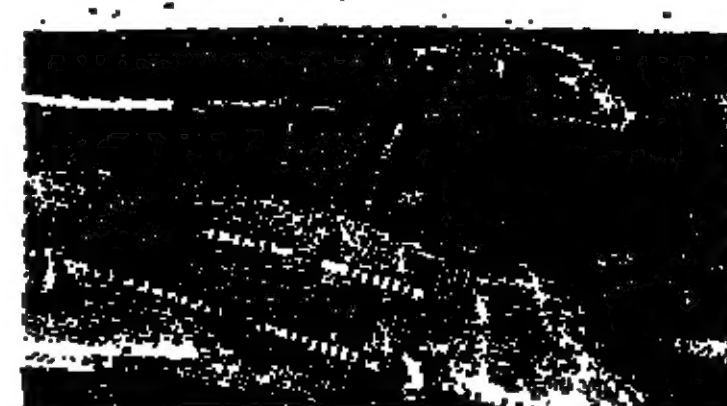


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**The competitive edge**  
*US industry cautiously  
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**Survey**  
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Section III

# FINANCIAL TIMES

Europe's Business Newspaper

MONDAY DECEMBER 21 1992

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## Yeltsin wins deal to keep reform team in cabinet

The core of Boris Yeltsin's economic reform team will remain in the Russian cabinet after an agreement with new prime minister Viktor Chernomyrdin. Mr Yeltsin had cut short his China visit to ensure that reformers were not dismissed and that the cabinet retained its commitment to market reforms. However, Mr Chernomyrdin warned: "The market alone is not a panacea." Page 14

**Weigel backs rate cuts** Germany's finance minister advocated a cut in German interest rates to revive the economy, but said reduction in public spending would also be necessary. Page 14

**Time Warner chief dies** Time Warner chairman and co-chief executive Steven Ross, who oversaw the 1989 merger of Warner Communications and Time Inc, died aged 65 after a battle against prostate cancer.

**Honda and Isuzu**, Japanese carmakers, are to sell each other's vehicles, marking a further consolidation of Japan's car industry. Page 15

**Serbian poll controversy** Allegations of foul play dogged presidential and parliamentary elections in Serbia in which President Slobodan Milosevic is fighting off a challenge from Yugoslav prime minister Milan Panic. Page 14

**Troops seize Somali port** About 300 seaborne US and Belgian troops won control of the southern Somali port of Kismayu from gunmen who have pillaged food relief. Picture, Page 4

**Blow to Taipei's rulers** Taiwanese voters dealt a blow to the ruling Kuomintang party in parliamentary elections, reducing the party's majority to 53 per cent after 43 years of virtually unchallenged rule. Page 4

**European monetary system** The French franc remains at the bottom of the ERM in spite of the strength of France's economy. Selling last week was countered by intervention from the French central bank which, by the end of the week, seemed to have cooled the devaluation threat. However, most economists believe speculation will return in the new year to test the French government's resolve. Meanwhile, pressure on the Irish punt and Danish krone remains, although the krone received support from the Belgian and Dutch central banks. Currencies, Page 25



The chart shows the member currencies of the exchange rate mechanism against the Deutsche Mark. The narrowest band is the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

**Mediloyd**, Dutch transport group, is poised for battle with its shareholder Thorsten Hagen. Mr Hagen was asked to quit the supervisory board after he urged the company to consider radical changes to its board selection process. Page 15

**Lloyds of London** The capital base at the insurance market is expected to shrink by at least 15 per cent next year to \$2.5bn (\$13bn) because of heavy underwriting losses. Page 8

**Both sides claim victory** A Singaporean by-election was described by the ruling People's Action party as a "resounding endorsement", but by the fledgling opposition as the start of two-party politics on the island. Page 4

**White farms under guard** South African police put an armed guard on farms adjoining Lesotho after a teenage girl died and five whites were wounded in a grenade attack. The assailants fled across the border. De Klerk purge, Page 4

**UN peacekeepers released** Khmer Rouge guerrillas in Cambodia released 11 UN peacekeepers who had been kidnapped and threatened with execution in the fourth such incident this month.

**Isosceles**, the heavily indebted parent of the UK Gateway food retail chain, is to appoint David Simons as group chief executive this week. His appointment should coincide with an agreement to defer interest payments. Page 15

**CBOT rejects trading facility** Members of the Chicago Board of Trade have defeated a plan to build a trading facility on property adjacent to the LaSalle Street futures exchange, on the grounds that the \$150m proposal was too costly. Page 17

**S Korean opposition divided** Opposition parties have been thrown into disarray by the victory of Kim Young-sam in Friday's presidential election. Page 4; Editorial Comment, Page 12

**Latin American inflation in checks** Most of Latin America experienced strong growth and greater price stability during 1992, with the main exception of Brazil. Page 2

**SME**, Italian state-owned foods, catering and retailing slated for privatisation, sold control of its Adams sweets and candies subsidiary to Parke-Davis of the US. Page 17

## No-fly zone to be enforced and new package of sanctions imposed US and UK raise Bosnia stakes

By Philip Stephens, Political Editor, in Washington

THE US and Britain last night agreed to increase the international pressure on Serbia with a jointly sponsored United Nations resolution to allow military enforcement of the no-fly zone over Bosnia and a package of new sanctions against Belgrade.

But in a compromise between the hardline position of the US and the much more cautious British stance, Mr John Major, the prime minister, and outgoing president George Bush acknowledged that there would be a warning period before Serbian aircraft violating the zone would be shot down.

After weekend talks with Mr Major at Camp David, Mr Bush returned to Washington emphasising that the US shared Mr

Major's concern not to put at risk UK and other ground forces serving in the UN humanitarian operation in Bosnia. Washington was "very sensitive" to the threat to ground forces: "We must be careful that we do not needlessly put young men and women there in harm's way," Mr Bush said.

Mr Bush and Mr Major also warned Serbia that it risks "isolation for years to come". In a joint statement issued by the two leaders, they said the aim of the resolution "would be to prevent flights taking place other than those specifically authorised by the United Nations".

The statement acknowledged that "many more lives will be lost this winter" if the humanitarian effort were halted. They also agreed that the UN presence in Macedonia and Kosovo should be stepped up to prevent the

spread of fighting in the regions. New sanctions against Serbia could include initially the severing of postal and communications links and might also lead to "closing the borders and complete diplomatic isolation for some years to come."

Senior US and UK officials said they expected the UN resolution providing for military enforcement should be agreed within a few days, probably before Christmas. Mr Bush, who spoke yesterday morning to Mr Boris Yeltsin, the Russian president, said he was confident Moscow would not block it.

The two leaders said the length of the warning period before Serbian aircraft would risk being shot down would be decided at the UN. Mr Major dismissed as without "credibility" reports that it had been decided the period would last for 15 days. One suggestion was that it might run until the inauguration of Bill Clinton on January 20.

Mr Major's reluctance to see any escalation in the military conflict in Bosnia was reflected in the refusal of his officials to discuss the terms under which the no-fly zone would operate. He said: "We've got a lot of discussing to do before we determine how the deadline is going to be enforced. We agreed that it is necessary to enforce the no-fly zone. There is more than one way of doing that."

But Mr Lawrence Eagleburger, the US secretary of state, suggested after the Camp David talks that the US favoured still more decisive action. He indicated that the warning period would allow western ground forces to prepare for possible Serbian retaliation. The US has also drawn up contingency plans to bomb Serbian airports.

Mr Major said that the "paramount importance" of retaining the security of ground forces and aid workers should underpin the UN resolution. He hopes that the deterrent effect will keep Serbian aircraft grounded.

End of an era, Page 2  
Serbs go to the polls, Page 14

## Japan cuts growth forecast to 1.6%

By Robert Thomson in Tokyo

THE Japanese government yesterday belatedly revised down its growth forecast for the current fiscal year from 3.5 per cent to 1.6 per cent, but announced a target of 3.3 per cent growth in gross national product next year.

A cabinet meeting approved the official estimates, prepared by Japan's Economic Planning Agency, which also revised upwards the trade surplus estimate from \$96.5bn to \$136bn for the current year to the end of March.

For next year, the trade account surplus was forecast at \$136bn, giving the US and the European Community scope to make complaints that the Japanese market remains partly closed to their products and that Tokyo has not done enough to stimulate domestic demand.

The EPA has been attacked by business organisations for "over-optimistic" forecasts which slowed the government response to the decline in the economy, but the agency is confident that a recovery will gather strength next year. It does, however, decline to predict exactly when the recovery will begin.

Mr Haruhito Arai, senior assistant to the EPA's director, conceded that the forecast for next year "is, in a sense, optimistic", but said it was justified because capital spending would rise by an estimated 2.4 per cent, after a fall of 3.8 per cent this year.

The importance of export growth in this year's expansion of GNP is an embarrassment for the government, which has a formal policy of encouraging domestic demand to reduce the trade surplus. For the first time since 1980, growth this year in external demand (0.8 per cent) is expected to exceed that of internal demand (0.7 per cent) as a contributor to the growth of gross national product.

Japan's current account surplus this fiscal year is estimated at \$116.5bn, up from a previously modest estimate of \$71bn, while the surplus next year is forecast to be a still imposing \$115.5bn, under the influence of the large trade surplus.

"The issue at hand is how to shift smoothly to a sustainable growth," said Arai.

Continued on Page 14

## Israel rejects call to halt expulsions

By Hugh Carnegie in Jerusalem

ISRAEL rejected international demands to reverse the deportation of 415 Palestinians trapped in south Lebanon yesterday and issued a sharp warning to the government in Beirut not to attempt to push them back into Israeli-held territory.

As the deportees pledged to remain in their makeshift camp in no-man's land between the Israeli and Lebanese armies until they can return home, Israeli forces shot dead seven Palestinians, including a nine-year-old girl, in the occupied West Bank and Gaza Strip over the weekend. The toll of six dead in Gaza on Saturday was the highest in a single day for more than two years.

The Israeli cabinet yesterday reaffirmed the decision to deport the alleged Islamic fundamentalist militants, taken after six soldiers had been killed in a recent spate of armed attacks by the Hamas Islamic Resistance Movement.

Israeli government ministers rejected a unanimous resolution passed by the United Nations Security Council on Friday condemning the action and demanding it be rescinded.

The government also strongly contested a High Court petition by civil rights lawyers seeking a reversal of the expulsions on the grounds that Israel was responsible for their fate in the absence of a jurisdiction willing to accept them. The court, which last Wednesday gave the go-ahead for the expulsions, is expected to rule today.

An angry stand-off has developed between Israel and Lebanon over the deportees. Mr Rafik al-Hariri, the Lebanese Prime Minister, reiterated his government's



Palestinians expelled by Israel and barred from entering Lebanon wash their clothes in an icy stream in no man's land

insistence that they should return to Israel.

He added: "There is absolutely no way we will change our position. Never. Ever. Lebanon is not a dumping ground."

Mr Yitzhak Rabin, his Israeli counterpart, replied by saying the deportees were now the responsibility of Beirut.

He continued: "It will be a mistake to try to push them back into our area. It will be a major mistake." The government has won strong public backing in Israel for the expulsions, which covered many academics and professionals which the security forces alleged were the "brains" behind Hamas.

Government officials, however, acknowledged that the plight of the deportees, who are huddled in tents in freezing winter conditions in the Lebanese hills, had

caused serious damage to what had previously been strong international support for Mr Rabin, particularly in the US and Europe.

Fears that the deportations could halt Middle East peace talks were underscored by moves by the Palestine Liberation Organisation, which backs the talks, to reconcile its differences with Hamas, which opposes them, at a proposed meeting in Tunis this week. Israel says its action against Hamas is meant to strengthen those Palestinians backing the peace talks, but the PLO says it will not return to the talks unless Israel reverses the deportations.

Israeli forces kept up a rigid security regime in the occupied territories over the weekend to try to contain protests. The killings in Gaza occurred when a week-long curfew was lifted for

two hours in Khan Younis refugee camp. Much of Gaza remains under curfew. The strip and most of the West Bank is sealed off from Israel.

Mr Rabin will today meet the

leader of Tsomet, a small far-right party, to discuss its request to entry into the Labour-led coalition. The right-wing opposition parties all applauded the deportations.

## Independent French central bank proposed by opposition

By William Dawkins in Paris

FRANCE'S centre-right UDF party will put forward plans early next year to grant independence to the French central bank, the strongest indication yet of the French opposition's commitment to the defence of the embattled franc.

Mr Valéry Giscard d'Estaing, former French president and leader of the UDF, the smaller of the two opposition parties, told Les Echos newspaper that he had asked his party to consider a proposed law in the national assembly early in the year. It would be ready for debate straight after the end of March parliamentary election, which the rightwing

alliance of the UDF and Gaullist RPR is expected to win.

The proposal would give the Banque de France independent status similar to the German Bundesbank, which is a factor in the D-Mark's strength. It could be one of the first pieces of legislation by the alliance, which opinion polls suggest will win by a wide margin. The move would put France well in advance of the timetable of the Maastricht treaty on European union, which - if applied - would make central banks independent some time between January 1994 and 1998.

Economic analysts welcomed the proposal and said it countered the theory held by some

traders that the opposition would on winning the election devalue or float the franc, to pave the way for a drop in interest rates to relaunch the sluggish economy.

"The clear commitment to a strong currency and central bank independence from a key opposition figure is extremely important," said Paribas Capital Markets.

"This confirms that the mainstream political consensus in France has remained centred on a monetary policy which aims for a strong currency and low inflation," it added.

Mr Giscard d'Estaing maintained the move "was, in

Continued on Page 14

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# Brazil to target growth in policy shift

starting with agri-industry and vehicle makers, to stimulate investment and production in return for government credits and reduced taxes. It is also

● The Brazilian trade surplus

for last month was \$1.56bn, the highest in 1992, giving an accumulated surplus for the year so far of \$14.37bn. This is 45.5 per cent up on last year. The main increase has been in sales to Argentina which, at \$2.75bn, have more than doubled.

but was uneasy also about what he had not said.

personal rapport that comes with a shared ideology. Mr Clinton is no left-winger, but his rhetoric is not that of a natural bellows in unfettered markets.

believer in unregulated markets. He will have to be persuaded that maintaining a unique link with Britain should rank anywhere near the top of a list of priorities which is already

It was perhaps a sign of the times that before the two leaders returned to Washington the most important US newspapers

did not carry a word yesterday of Mr. Major's Camp David sojourn with Mr. Bush.

## Czechs approve

## Czechs approve first budget

**By Vincent Boland in Prague**

tions. With BA board members, and through their USAir opposite numbers, they lobbied congressmen and shareholders. A lobbyist was hired in Washington and public relations giant Daniel J. Edelman was

Today the British airline complains it was outgunned in Washington. "They [American, United and Delta] swamped the market completely. They bought up almost every lobbyist around." Still, this did not deter BA and USAlr executives from touring the country to

Their targets were the New York Times, Washington Post, USA Today and the Wall Street Journal as well as newspapers in Chicago, Dallas and Atlanta. "The home cities of United, American and Delta airlines. "The majority were sympathetic," said one senior BA adviser. "But you don't win them all."

## Open borders threaten Luxembourg village's way of life, writes Andrew Hill

Local pessimism reflects wider gloom about the goal of open frontiers. Growing evidence suggests that companies across the EC are not ready for the complex new VAT system.

Ministers from the nine countries met in Madrid this week and agreed on a common

isa for the free-travel area. But their January deadline for completely open borders has slipped at least until the middle of the year. Passport checks are likely to remain in

Such sluggishness will not prevent Mr Zimmer clearing his offices on December 31 and leaving the Schengen border crossing unmanned for prob-

ty the first time since the  
rand Duchy came into being.  
1830

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# War of advice may break out in Russia

Foreign advisers in Moscow could soon find themselves unwanted, writes John Lloyd

THE FOREIGN economic experts who have played a big role in advising the Russian government on the reforms of the past year have no idea whether they will still be advising next year, when the government and the policies of Mr Viktor Chernomyrdin, the new Russian prime minister, will be clear.

For some, including the team of Professor Jeffrey Sachs and Mr David Lipton from Harvard University, it is already clear that Mr Chernomyrdin is a threat to the reforms on which they advised.

Mr Lipton says: "It's clear from what Prime Minister Chernomyrdin has already said on the need to support industry, and heavy industry in particular, that he has no regard for the interests of the economic transformation, no regard for consumers, and no respect for markets."

However, the Sachs/Lipton team, with its score of assistants scattered throughout the bureaucracy, will remain in place for now.

So will Mr Richard Layard, the London School of Economics professor who works closely with Mr Sergei Vassiliev, head of the Economic Reform Centre. Prof Layard said that he had no plans to cease work,



Delegates of the Democratic Russia Movement voting yesterday on whether to support Mr Yeltsin. The Russian foreign minister, Mr Andrei Kozyrev, addressed the congress, warning that Russia was in danger of returning to the concept of a "besieged fortress" in its foreign policy

and Mr Vassiliev, a close associate of former Prime Minister Yegor Gaidar, said that "we'll carry on as long as we feel it useful to do so". Nevertheless, the privatisation programme,

which is the biggest reform programme and employs the bulk of the foreign expertise, is now on hold.

Due to be discussed by Parliament last week, it was taken

off the agenda while the new prime minister read next year's programme to see whether he would support it.

The state privatisation committee, headed by Mr Anatoly

Chubais, the deputy prime minister, is now developing an ambitious programme of mass privatisation to begin in January, leaning heavily on foreign assistance.

The International Finance Corporation, the World Bank division which worked on the country's privatisation throughout the year, is waiting to see whether the programme will get under way on schedule.

This is also true of the team from Credit Suisse First Boston, which is charged with bringing the first companies to market in December.

"It's business as usual for now," said Mr Stephen Jennings, a CSFB executive based in Moscow.

However, it is clear that the privatisation committee is now working flat out on next year's programme, much more aware than previously of the limited window of opportunity open to them to make privatisation irreversible.

The US merchant bank, Goldman Sachs, hired in February by the government to assist in finding inward investment, is now unsure if its services will still be required. "We were able to work essentially because of our link with Yegor Gaidar," says Mr Bill Crowley,

head of the GS team in Moscow. "Our main contact point is the Agency for International Co-operation and Development under (deputy prime minister) Alexander Shokhin, and it's not clear how that will now work."

The Ford Foundation, one of the biggest funders of individuals in Moscow through its \$7m (£4.8m) annual fund for the former communist states of eastern Europe, is one of the many private and government institutions now debating whether to continue funding market-oriented programmes which may no longer be welcomed by government officials.

Others include the British Know-How Fund and US Aid.

Mr Chernomyrdin said during his first press conference that he thought that the foreign advisers should continue their work "and Russian ones too".

He has already put feelers out to Mr Nikolai Petrakov, the economist who served as former Soviet President Mikhail Gorbachev's adviser in 1989.

At the same time, Mr Boris Yeltsin, the Russian president, has appointed as his economic adviser none other than Mr Yegor Gaidar.

A war of advice clearly looms.

Six companies drop tenders

## Siberian copper race loses appeal

By Leyla Boulton in Moscow

A RACE to develop Russia's biggest copper deposit has been reduced to just two contenders after six large western companies dropped out of an international tender for lack of time to complete proposals by a deadline which expired last Tuesday.

The only two companies now formally in the race are Australia's BHP and the Udokan Mining Company (UMC), considered the only "Russian" participant although it is indirectly half-owned by two little-known foreign companies. Its lack of experience of a big mining project is being compensated for by advice from Fluor Daniel, the San Francisco-based consultancy which puts together international mining projects and has already submitted a detailed feasibility study for the project.

In a sign of budding Russian co-operation with China, the UMC has also arranged to sell the copper to the Chinese, who are just across the border from the deposit in the eastern Siberian region of Chita. UMC's confidence that it will get the contract also rests on a

definite shift by the authorities towards helping heavy industry find profitable new civilian markets after decades of catering to the military establishment.

Mr Boris Yatskevich, deputy chairman of Russia's state geology committee, who declined to confirm or deny which companies were taking part, said the tender committee would produce its conclusions by January 15, leaving the final decision to be taken by the Russian president and government. "Eight companies have expressed an interest in the project. Proposals have reached the tender committee."

But other sources confirmed that RTZ, Phelps Dodge, Placer Dome, Cyprus Mining, Mitsubishi and Marubeni, despite being registered as tender participants, had dropped out of the hugely complex project which requires building not just a mine but lots of infrastructure to operate it. An executive for one of the companies cited a lack of time to prepare properly since the tender was declared this summer, and said that another complicating factor was the metallurgical specificities of the ore.

## Rome set to give details of sell-off

By Robert Graham in Rome

THE Italian government is expected this week to release full details of its privatisation programme, after the broad endorsement last week from the two houses of parliament.

Approval was given by the chamber of deputies on Wednesday and the senate on Friday to a programme which aims to raise £27,000bn (£13.8bn) for the treasury between 1993 and 1995. In addition IRI, the state holding company, is expected to raise some £12,000bn from its own divestments which will go to recapitalise and repay debts.

Parliamentary backing came despite powerful lobbying by Christian Democrat and Socialist politicians on their own coalition to water down the scheme so that the parties could retain control over a large state-controlled economy. "This is an important step forward," a treasury official said.

However, the official pointed out that parliament had laid down a number of guidelines which the government had to take into consideration. Mr Piero Barucci, the treasury minister, who is master-minding privatisation with Mr Giuliano Amato, the prime minister, pledged a definite plan for privatisation would be ready before the end of the year.

The broad privatisation proposals were submitted to parliament a month ago on a consultative basis. One of the main recommendations is that privatisation be carried out under the aegis of the prime minister and a committee of three ministers (treasury, budget and industry) who would also liaise with a new ministry of production. The latter is an attempt by parliament to force the government to include an industrial strategy in the privatisation process and not simply sell off to raise money for the impoverished treasury.

## OECD sees Italy's growth rate rising

By Edward Balls

ITALIAN economic growth will begin to accelerate towards the end of next year if the government succeeds in bringing Italy's fiscal deficit under control while keeping the lid on wage inflation, the OECD said yesterday.

Restoring confidence in the lira, by ensuring that the government's fiscal austerity measures are fully implemented, is the route to economic growth, the Paris-based organisation says in a cautiously optimistic report.

The OECD expects Italy's economic growth rate to slip to 0.8 per cent next year. But an export- and investment-led recovery should deliver a 1.7 per cent growth rate in 1994.

The forecast depends on the government overcoming

domestic resistance to budget cuts in order to reduce the fiscal deficit to 10.2 per cent of gross domestic product in 1993.

A successful budget consolidation should boost confidence, enable the lira to re-enter the ERM and reduce Italian interest rates over the coming year in line with expected cuts in German interest rates, the report says.

Tight monetary conditions, tax increases, the abolition of wage indexation and a freeze on public sector pay until the end of 1993, should all dampen the impact of the lira's recent devaluation on inflation, the OECD says.

Exports are expected to grow by 8.1 per cent next year and 5.9 per cent in 1994, outstripping the growth in imports and pushing the trade account into a modest surplus in 1994.

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### LEGAL NOTICES

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In re:  
NATIONAL ENVIRONMENTAL GROUP, INC., a Maryland Corporation, ESKEY, INC., a Nevada Corporation, and YFC INTERNATIONAL, N.V., a Netherlands Antilles Corporation.  
Debtors.

Chapter 11

Case Nos. 92-36657 through 92-36659 (WHG)

#### NOTICE OF DISTRIBUTION UNDER CONFIRMED CHAPTER 11 PLAN

TO ALL CREDITORS AND EQUITY SECURITY HOLDERS OF THE ABOVE DEBTORS:

PLEASE TAKE NOTICE that by Order of the United States Bankruptcy Court dated December 4, 1992, the Debtors' Joint Plan of Reorganization dated October 20, 1992 (the "Plan") has been confirmed and the Debtors have elected to commence distributions pursuant to Article 5 of the Plan on or about December 11, 1992.

PLEASE TAKE FURTHER NOTICE that pursuant to the Indenture dated as of May 17, 1993, as amended, between YFC and Bankers Trust Company, as Indenture Trustee and §§27 and 28 of the Confirmation Order, holders of YFC International, N.V. 7-1/2% Convertible Subordinated Bonds due 1998 shall exchange their debt instruments in accordance with Article 6.2 of the Plan at the office of Bankers Trust Company, Four Albany Street, New York, New York 10006, Attn: Stanley Burg, Corporate Trust & Agency Group - 4th Floor.

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Counsel to Debtors



## NEWS: INTERNATIONAL

# Results herald era of compromise after corruption backlash

## Poll blow for Taipei rulers

By Simon Davies in Taipei

TAIWAN dealt a blow to President Lee Teng-hui's ruling Kuomintang party in parliamentary elections on Saturday, heralding an era of compromise and accountability for the party which has governed the island virtually unchallenged for 43 years.

The official KMT candidates, primarily Taiwanese-born liberal supporters of Mr Lee, took only 53 per cent of the vote, compared with 71 per cent in elections last year for the National Assembly, a separate body whose sole tasks are to select the president and amend the constitution.

The opposition Democratic Progressive Party (DPP), the once-outlawed organisation many of whose members have been jailed, was a prime beneficiary of anti-Lee sentiment. It picked up 31 per cent of the vote, compared with 24 per cent in the National Assembly election last year.

But the biggest swing was

towards President Lee's conservative opposition within his own party: the descendants of Chiang Kai-shek's Mainland army who took control of the island in 1949 and have only recently relinquished their authoritarian rule.

The largest number of votes went to Mr Wang Chien-shien and Mr Jaw Shao-kan, two former KMT cabinet ministers who stood without the support of the party and who campaigned strongly against KMT corruption.

Taiwan's multi-seat constituency system makes it possible for more than one KMT candidate to stand in any one constituency.

The conservative faction, known as the Non-Mainstream, is seen as less corrupt, and less biased towards the business community, and they benefited from the election's focus on "Money Politics".

This year's election campaign is believed to have cost a total of T\$20bn (£498m), much of which has gone on illegal

vote-buying. More than 200 cases of vote-buying are currently being investigated.

The mainstream KMT members are seen as the main culprits, using the huge financial resources of the party (which owns banks and television stations), and its support from the island's big businessmen.

Mr James Soong, KMT secretary general, said: "Our party is very dissatisfied with the outcome, but we have to accept the voters' choice." Yesterday, one conservative KMT faction called for Mr Soong's resignation.

The pro-Mainland backlash is good news for beleaguered Taiwanese premier Hsu Fu-tsun, a Mainlander who looked set for departure in the event of strong support for President Lee's Mainstream KMT. Given the backing for Hsu's supporters, it seems likely he will remain as figurehead for a big minority group.

DPP support was also fervent, showing recognition of its evolution into a serious

opposition party.

The lack of support for President Lee is bound to cause consternation in Beijing, China has been keeping a close eye on the elections in what it considers to be a renegade province, and General Secretary Jiang Zemin last week warned the KMT to oppose any support for the independence movement.

The DPP campaigned on a platform of "One China, One Taiwan" urging greater independence. Its 50 seats in the 161-seat legislature will therefore smack of defiance towards the Mainland rulers.

But President Lee looks likely to retain control of an increasingly divided legislature. Official KMT candidates retained 96 seats. In addition, the non-Mainstream may be keen to force compromises but they will want to retain the advantages of party membership, while the DPP agrees with many of the economic and political reforms proposed by President Lee.



A Belgian paratrooper talks to representatives of the warlord Col Omar Jess in Kisumu after US and Belgian troops seized the southern Somali port yesterday. Meanwhile a UN official

said 30 trucks laden with food north of Mogadishu were lost in an apparent case of looting. The vehicles were believed to have been loaded with rice donated by French schoolchildren.

## Fabius to be tried over HIV blood

THE French parliament voted at the weekend to send Mr Laurent Fabius, leader of the Socialist party, and two former ministers to trial, over a scandal in which more than 1,200 haemophiliacs were infected by blood tainted with the HIV virus, writes William Dawkins in Paris.

The complex and rarely used process could take years to reach a conclusion.

The national assembly voted overwhelmingly on Saturday followed by the Senate yesterday to send Mr Fabius, prime minister when the national blood transfusion service supplied the infected blood in 1985, before a parliamentary high court, along with Mrs Georgina Duflois, former social affairs minister and Mr Edmond Hervé, former health minister.

## EC to study fisheries

EC ministers yesterday agreed to overhaul their common fisheries programme and reduce catch quotas next year to counter over-fishing, AP reports from Brussels.

Although the Twelve did not accept all proposals of the EC's Commission to guarantee sufficient stocks over the next decade, the deal still went well beyond the current programme by introducing fishing licences by 1995 and tougher fishing controls.

## Kenya warned over election

The 38-member Commonwealth observer group yesterday called on the Kenyan government for "more effective action" to curb the violence marred the run-up to the country's first multi-party general election in 26 years on December 29, writes Michael Korman in Nairobi.

It was the group's third warning in a week.

## Ruling party retains hold on Singapore

By Kieran Cooke in Singapore

BOTH the government and the opposition in Singapore have claimed victory after a by-election at the weekend which saw the ruling People's Action Party retain its overwhelming hold on the island republic's politics.

The PAP won 73 per cent of the vote in the four-seat Marine Parade constituency. Mr Goh Chok Tong, who took over from Mr Lee Kuan Yew as Singapore's prime minister in late 1990, was a candidate. He said the vote represented a "resounding endorsement" for his government's policies and his leadership.

The fledgling Singapore Democratic Party (SDP), which had put itself forward as the

main opposition party during the campaign, won 24 per cent of the vote. The SDP said the result marked the beginning of a two-party political system in Singapore.

The PAP has long had a monopoly on political power in Singapore and was shocked when its vote in a general election midway through last year dropped to 61 per cent, with four opposition members voted into the 81-seat parliament.

Mr Goh, who has had difficulty escaping from the shadow of Mr Lee's long years as Singapore's leader, had said that this by-election was a crucial test of his leadership.

In the general election last year the PAP won 77 per cent of the vote in Marine Parade.

## S Korea's election results put opposition in disarray

By John Burton in Seoul

THE comfortable victory of Mr Kim Young-sam's in Friday's South Korean presidential election has given him a secure mandate to govern while leaving the opposition in disarray.

As the candidate of the ruling Democratic Liberal Party (DLP), Mr Kim received 42 per cent of the vote against 34 per cent for Mr Kim Dae-jung of the main opposition Democratic Party and 16 per cent for Mr Chung Ju-yung, the founder of the Hyundai business group. His margin of victory was wider than expected.

Mr Kim, who will take office late in February, is hoping to improve the DLP's slim majority in the legislature as a result of his victory. The DLP has 161 seats out of 299.

The poor performance of the opposition parties in the election is expected to encourage some MPs to defect to the DLP. The switching of party affiliation is normal practice in South Korean politics, with more than 30 MPs having done so this year.

The resignation of Mr Kim Dae-jung as opposition leader and MP following his defeat is likely to cause factional infighting within the Democratic Party, which was formed only a year ago from a merger of two parties.

There are doubts about the survival of Mr Chung's United People's Party, which was established earlier this year to support his failed bid for the presidency. Most of the UPP's 37 MPs would join the DLP if the conservative party collapsed.

Mr Chung also has to worry about possible government reprisals against his Hyundai industrial conglomerate as his political strength wanes.

Hyundai has already been subject to government harassment this year, including tax penalties and credit squeezes, because of Mr Chung's political ambitions.

One factor that may protect Hyundai from a crackdown is its status as the nation's largest business group. Editorial Comment, page 12

## Opposition parties back De Klerk purge

By Philip Gawith in Johannesburg

THE purge by President F W de Klerk of South African Defence Force members involved in efforts to undermine the reform process has been welcomed by other political parties, who believe further revelations are likely to follow.

Mr de Klerk's announcement on Saturday that 23 SADF members, including two generals and four brigadiers, had either been compulsorily retired or suspended, is the largest reshuffle in defence force ranks since the first world war.

The two generals sacked have been named by the Afrikaans Sunday newspaper Rapport as Gen Hennie Roux, army chief of staff, and Gen Charles Thirion, deputy chief of staff intelligence. Also alleged to have been sacked are Brig Tolletjes Botha, head of the Directorate of Covert Collection (DOC), and Brigadier Ferdi van Wyk, the mastermind behind a campaign to discredit the African National Congress.

The ANC welcomed Mr de Klerk's announcement, but said "it has been a very slow recognition of what is happening."

Gen Bob Rogers, Democratic Party spokesman on defence commented Mr de Klerk for his prompt action.

The recent upsurge in attacks on whites continued over the weekend when a 14-year-old girl was killed in a grenade attack on a farm near the Lesotho border.

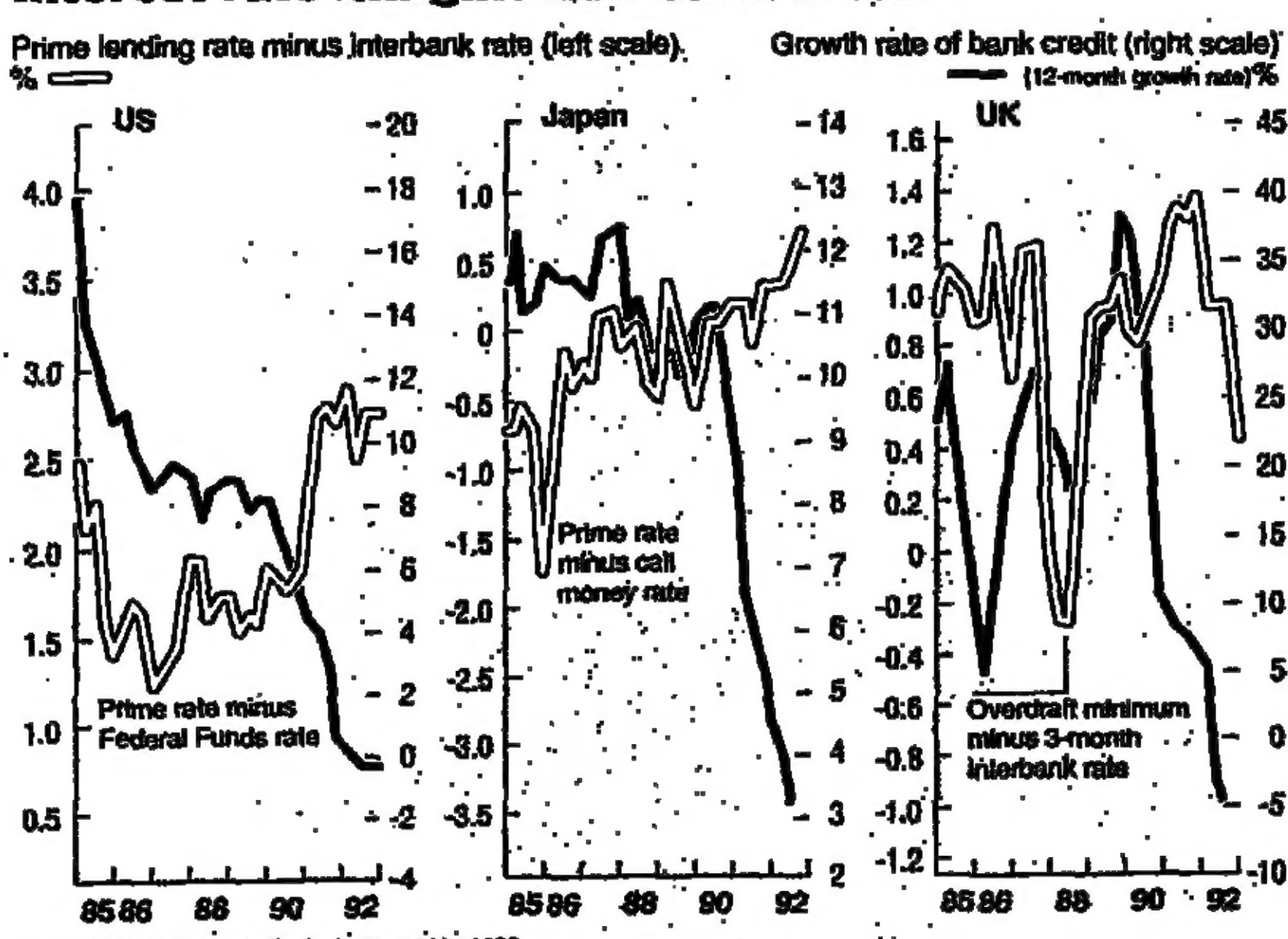
## INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

■ UNITED STATES						■ JAPAN						■ GERMANY						■ FRANCE						■ ITALY						■ UNITED KINGDOM					
	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate		Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate		Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate		Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate		Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate		Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1986	101.9	96.6	102.2	99.4	78.5	1986	100.8	95.3	101.4	103.3	131.0	1986	99.9	97.5	103.8	104.0	110.2	1986	102.5	97.2	104.5	101.5	102.3	1986	106.1	100.2	104.8	102.6	101.5	1986	103.4	104.3	107.7	104.5	93.3
1987	105.8	100.7	103.8	96.7	65.4	1987	101.2	92.5	103.1	106.6	131.6	1987	100.1	95.1	108.0	107.0	123.9	1987	105.9	97.8	107.8	103.0	102.6	1987	110.1	103.2	111.6	105.6	102.3	1987	107.7	106.3	116.3	105.9	91.3
1988	109.9	103.2	106.9	98.1	61.6	1988	102.2	92.3	107.8	98.2	140.3	1988	101.4	96.2	113.0	107.0	125.3	1988	108.5	102.8	111.1	104.0	96.3	1988	118.5	108.8	118.4	108.8	101.8	1988	113.0	113.2	126.2	108.9	97.5
1989	115.2	108.5	110.0	98.9	65.5	1989	104.9	94.2	114.0	96.1	132.2	1989	104.2	99.3	117.3	108.0	121.0	1989	112.6	108.4	115.4	105.5	92.3	1989	124.2	113.1	125.6	112.1	107.2	1989	121.8	119.0	137.2	113.6	96.4
1990	121.5	113.8	113.8	100.9	60.9	1990	108.2	96.7	120.1	98.2	114.8	1990	107.0	101.0	123.8	110.0	125.0	1990	116.4	107.1	120.8	110.0	95.7	1990	131.8	117.8	134.7	118.8	113.7	1990	133.3	128.0	150.1	123.2	102.3
1991	128.0	118.0	117.3	102.5		1991	111.8	97.3	124.4	101.7		1991	117.0	105.4	131.8	115.0		1991	122.0	105.8	125.8	114.3		1991	140.3	121.7	147.9	131.2		1991	141.2	135.0	162.4	135.0	
3rd qtr.1991	3.9	1.9	3.2	2.4	82.0	3rd qtr.1991	3.3	1.7	3.3	3.7	125.3	3rd qtr.1991	4.1	2.8	n.a.	4.8	122.7	3rd qtr.1991	3.0	-1.5	n.a.	2.7	91.0	3rd qtr.1991	6.4	3.1	10.7	12.8	114.3	3rd qtr.1991	4.8	5.5	7.8	6.3	107.0
4th qtr.1991	3.0	-0.2	2.9	1.7		4th qtr.1991	3.2	0.0	3.2	6.0		4th qtr.1991	4.0	2.4	n.a.	3.6		4th qtr.1991	2.9	-3.8	n.a.	3.6		4th qtr.1991	6.1	2.1	10.8	12.7		4th qtr.1991	4.2	5.0	7.3		
1st qtr.1992	2.9	0.4	2.8	-0.1		1st qtr.1992	2.1	-0.6	2.5	8.2		1st qtr.1992	4.3	2.0	n.a.	4.5		1st qtr.1992	3.1	-3.0	n.a.	0.9		1st qtr.1992	5.6	1.4	9.2			1st qtr.1992	4.1	4.5	6.6	4.1	
2nd qtr.1992	3.1	1.3	2.9	-0.5		2nd qtr.1992	2.6	-0.7	2.4	8.7		2nd qtr.1992	4.5	2.0	n.a.	3.8		2nd qtr.1992	3.1	-1.1	n.a.			2nd qtr.1992	5.5	2.0	6.0			2nd qtr.1992	4.2	3.8	5.9	1.8	
3rd qtr.1992	3.1	1.8	2.3	-0.1		3rd qtr.1992	2.0	-0.8				3rd qtr.1992	3.5	1.0	n.a.			3rd qtr.1992	2.7	-0.9	n.a.			3rd qtr.1992	5.2					3rd qtr.1992	3.6	3.5	6.2	1.9	
December	3.1	-0.1	2.6	0.7	n.a.	December	3.0	-0.1	3.5	5.9	n.a.	December	4.2	2.6	6.4	9.0	n.a.	December	3.1	n.a.	4.1	n.a.	n.a.	December	6.0	1.9	10.4	n.a.	n.a.	December	4.5	4.8	7.2	3.9	n.a.
January 1992	2.6	-0.4	1.7	0.7	n.a.	January 1992	2.1	-0.6	4.6	7.9	n.a.	January 1992	4.0	1.6		4.5	n.a.	January 1992	2.9	n.a.	-	n.a.	n.a.	January 1992	6.1	1.3	9.4	n.a.	n.a.	January 1992	4.2	4.5	7.5	4.8	n.a.
February	2.8	0.6	3.5	-0.1	n.a.	February	2.2	-0.6	1.2	6.9	n.a.	February	4.3	2.0		3.6	n.a.	February	3.0	n.a.	-	n.a.	n.a.	February	5.3	1.5	9.1	n.a.	n.a.	February	4.1	4.4	7.8	2.3	n.a.
March	3.2	1.1	2.6	-0.7	n.a.	March	2.2	-0.7	1.7	9.8	n.a.	March	4.8	2.5		5.4	n.a.	March	3.2	n.a.	3.8	n.a.	n.a.	March	5.5	1.4	9.1	n.a.	n.a.	March	4.0	4.5	10.3	5.3	n.a.
April	3.2	1.1	3.4	-0.8	n.a.	April	2.6	-0.7	1.3	8.7	n.a.	April	4.8	1.9		5.4	n.a.	April	3.1	n.a.	-	n.a.	n.a.	April	5.5	1.8	8.8	n.a.	n.a.	April	4.3	3.8	5.0	0.1	n.a.
May	3.0	1.1	2.6	-0.6	n.a.	May	2.3	-0.7	1.1	11.8	n.a.	May	4.6	3.0		1.7	n.a.	May	3.1	n.a.	-	n.a.	n.a.	May	5.7	2.1	4.6	n.a.	n.a.	May	4.3	3.5	7.0	2.7	n.a.
June	3.1	1.8	2.6	-0.3	n.a.	June	2.5	-0.7	3.8	5.7	n.a.	June	4.2	2.0		4.3	n.a.	June	3.0	n.a.	-	3.8	n.a.	June	5.4	2.1	4.7	n.a.	n.a.	June	3.9	3.6	5.9	2.0	n.a.
July	3.2	1.7	1.7	-0.2	n.a.	July	2.0	-0.7	2.3	6.8	n.a.	July	3.3	1.1		6.9	n.a.	July	2.9	n.a.	-	n.a.	n.a.	July	5.4	1.9	4.0	n.a.	n.a.	July	3.7	3.6	6.2	3.1	n.a.
August	3.2	1.5	2.6	-0.5	n.a.	August	1.8	-0.8	-1.5		n.a.	August	3.5	1.1		5.2	n.a.	August	2.7	n.a.	-	n.a.	n.a.	August	5.2		3.5	n.a.	n.a.	August	3.8	3.4	6.5	1.9	n.a.
September	3.0	1.8	2.6	0.3	n.a.	September	2.8	-0.7			n.a.	September	3.8	0.8		5.8	n.a.	September	2.8	n.a.	-	3.5	n.a.	September	6.1			n.a.	n.a.	September	3.8	3.4	6.7	0.8	n.a.
October	3.2	1.7		-0.2	n.a.	October	1.2				n.a.	October	3.7	0.5			n.a.	October	2.4	n.a.	-	n.a.	n.a.	October	4.8			n.a.	n.a.	October	3.8	3.3	6.4	0.4	n.a.
November	3.0	1.3			n.a.	November	0.8				n.a.	November	3.7	0.5			n.a.	November	2.1	n.a.	-	n.a.	n.a.	November	4.9			n.a.	n.a.	November	3.0	3.3			n.a.

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted. US - finished goods, Japan - manufactured goods, Germany - industrial products, France - intermediate goods, Italy - total producer prices, UK - manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour cost: seasonally adjusted, measured in domestic currencies. Germany - retailing and manufacturing, other countries - manufacturing industry. Real exchange rate: IMF real effective exchange rate based on relative unit labour costs (non-normalised). A fall in the index indicates improved international competitiveness.

## Interest rate margins and bank credit



## Why recovery may depend on higher bank margins

THE COMBINATION of accumulating bad debts, vocal complaints from small businesses and a chancellor who is determined to ensure that all interest rate cuts are passed directly to borrowers has made this a trying year for Britain's banks. But, however justified it may be to criticise the competence of UK bankers, their willingness and ability to lend will be a central determinant of the pace of economic recovery next year. Whether Britain's banks are able to start lending again soon may depend on whether they are able to ignore Mr Norman Lamont's strictures.

Two items of economic news in the UK last week confirm the banks' difficulties. On Thursday, Barclays bank announced a record £240m write-off to cover property-related losses on loans made at the height of the late 1980s boom. On Friday, the Bank of England announced that commercial bank lending in November fell, unexpectedly, by £500m.

Nor are these problems peculiar to Britain, as the OECD acknowledged in its

latest gloomy economic outlook. Commercial banks in the US and Japan, as well as in the UK, lent too much too cheap in the late 1980s to risky property-related ventures, many of which have subsequently collapsed along with the land and property prices upon which their financial health depended. The banks are still trying to repair the damage to their balance sheets.

This asset price collapse has hitten deep into the profits of the commercial banks. The average rate of return on total assets of US banks was 0.78 per cent in 1990-91 compared to 0.83 per cent



## FT SURVEY OF FORECASTS

## Public sector spending prompts tax fear

By Emma Tucker  
and Keith Fray

A GROWING crisis in public sector finances will force the government to raise taxes before the end of 1994, according to the latest Financial Times survey of economic forecasts.

The most comprehensive survey of forecasts for the UK economy over the next two years shows that more than half of City of London, academic and independent economists believe the government will have to increase taxes to claw back some of the revenue lost as a result of the recession.

Although the consensus forecast for this year's public sector borrowing requirement is in line with the Treasury's expectation of £37bn, economists see government borrowing spiralling towards £50bn in 1993/94.

"In order to bring the PSBR down to 3 per cent of GDP over the medium term, it would require annual increases in taxation - excluding any changes to expenditure - of anything up to £10bn a year," said Mr Neil MacRimmon, chief economist at Citibank.

Few predict that the government will raise direct taxes. Increases in indirect taxes are

more likely, and a number of economists expect the scope of VAT to be widened and excise duties raised. Abolition of the upper earnings limit on national insurance contributions is also possible.

Few foresee an early reentry to the European exchange rate mechanism, if at all. "Assuming that economic sanity reigns - a bold assumption given the events of recent months - the UK will not rejoin the ERM in the foreseeable future," said Mr Paul Neill at County NatWest.

"Britain will only rejoin when German monetary policy is appropriate for the UK. With

the UK and German cycles out of phase, re-entry is unlikely within the life of this parliament," says Mr Keith Wade, chief economist at Schroders.

Those that do expect reentry, believe it will happen in 1994 at a rate between DM2.40-DM2.80. The outlook for inflation is more pessimistic than official forecasts suggest. Over half of the 38 economists questioned expect the retail prices index, excluding mortgage interest payments to breach the upper limit of the Chancellor's 1-4 per cent target range in the next two years.

Forecasts for average inflation next year range from as

little as 2.3 per cent to 6.2 per cent, although a number of economists forecasting a rise in inflation next year, expect it to drop back again in 1994, once the devaluation of sterling has made its impact on the index.

Expectations for growth among economists are broadly in line with the Treasury's latest forecast of 1 per cent next year. The following year, economists see GDP growth rising to 2.4 per cent. Unemployment is forecast to stay at just over three million both next year and in 1994, with only four economists expecting the peak before the end of 1993.

## Britain in brief



## Private pay awards drop towards 3%

Private sector pay settlements are falling again sharply after a period of stabilisation and could soon drop below 3 per cent.

The Confederation of British Industry's manufacturing pay databank estimates that settlements between September and November averaged only 3.1 per cent and that since August one manufacturing group in three has introduced a pay freeze.

That compares with an average settlement rate of 4.2 per cent in the quarter ending in September, down only slightly on the 4.4 per cent in the last quarter of 1991.

The figures, compiled by the employers organisation, were released as part of a new monthly series for CBI members. But they will also come as good news to the government, which is keen to see pay in the sector fall as close as possible to its own public sector limit of 1.5 per cent.

Pay awards in the service sector fell sharply, too, according to the CBI, down to 3.7 per cent in the three months ending in November from 4.5 per cent in the three months ending in August.

## Generators may need watchdog

Prof. Stephen Littlechild, the UK electricity watchdog, is considering whether the power generation companies should be regulated in the same way as electricity distributors.

This comes at a time of mounting concern about the "duopoly" exercised by National Power and PowerGen, who have over 70 per cent of the market between them.

At the moment Prof. Littlechild only has power to regulate prices charged by the regional electricity companies (RECs). This is based on the principle that they have local

monopolies, and that regulation is required to keep prices down. But because the generators are supposed to compete in an open market to sell their electricity, they were exempted from regulation at privatisation.

However Prof. Littlechild has frequently criticised the market dominance of the generators, most recently last week when he called for more competition in a report on electricity prices.

## Independent directors

Independent directors are playing an increasingly important role in regulating companies' activities in the UK, a survey published by SI, a venture capital group, says.

Independent directors are well represented on public and private company boards and form a majority in the largest companies, the survey shows. Most private companies have at least one independent director.

They have increased their influence over remuneration and audit committees. Virtually all are now chaired by an independent director and 44 per cent are composed solely of independent directors. Two years ago, most such committees had equal numbers of executive and non-executive directors.

## Foreign banks gain foothold

Worsening relations between banks and their corporate customers have led a quarter of UK companies to change bankers in the past five years - more than half of them in the past two years, a Manchester Business School survey shows.

That is an increase in market volatility of two or three times compared with the mid 1980s.

At the same time, increasing numbers of companies are splitting their banking, allowing foreign banks to compete effectively for specific business. Only 8 per cent of companies now use only one bank.

That has enabled US, Japanese and continental European banks to gain a foothold in 25 per cent of UK corporate accounts.

Those are among the main findings of a detailed survey of

banking relationships by the school's International Centre for Banking and Financial Services. The survey was of a sample of 670 subscribers to Financial Director, a specialist magazine.

## Reid warning on rail sell-off

Sir Bob Reid, the chairman of British Rail, has given his strongest warning so far about the government's plans for privatising BR, as he urged ministers to build on the organisation's achievements, instead of breaking it up.

While Sir Bob has been known for some time to be anxious about aspects of the government's plans to split the railway into a track authority and privately-run companies competing to run services, his call for privatisation to "evolve" rather than be introduced with disruption is his most open attack yet on the proposals.

"If you start to break it up and you disrupt it, you will break the momentum, you will give yourself major safety validation problems...and you will not get a better service for some long time to come," he said on BBC radio.

## Bomb insurance decision 'soon'

The insurance industry is expecting a government decision this week on the controversial issue of insuring property against terrorist attack.

Mr Michael Heseltine, the trade and industry secretary, has come under pressure to intervene since the Association of British Insurers recommended that its members should withdraw terrorism cover from commercial insurance policies, following the withdrawal from the market of some large reinsurers. The ABI believes that the government should meet part of the bill for mainland terrorist damage in future.

## White out

The odds against a white Christmas in London, Glasgow or Cardiff are 8-1 says bookmaker William Hill, which prices a wet Christmas at 8-11 and a completely dry one at 11-10.

## INSURANCE MARKET

## Lloyd's capital base may shrink by 15% in 1993

By Richard Lapper

LOYD'S capital base is next year expected to shrink by at least 15 per cent to £8.5bn as a result of heavy underwriting losses at the insurance market.

Leading agents at the market are also predicting losses of more than £1.5bn in the 1990 year, which Lloyd's will report in June; about 50 per cent worse than anticipated earlier this year.

The figures indicate that recent losses are taking a heavy toll on Lloyd's and could prevent it from taking full advantage of recent increases in insurance rates.

"The trough is deeper and longer than we would have thought twelve months ago," said the finance director of one large agency.

Lloyd's had expected that the market's capacity - the amount of premium it can underwrite - would fall from present level of £10.1bn to £8bn in 1990, following losses of £2.5bn in 1988 and 1989.

But the fall in capacity is now expected to be greater because many Names, the individuals whose capital underwrites the market, have had problems in meeting solvency



Rowland: new impetus

week all estimated a fall in capacity to below £8.5bn, with one pessimist predicting a decline to £7bn.

Next year Lloyd's syndicates are likely to make maximum use of available capacity, while new rules giving them more flexibility to buy reinsurance from outside the market will also cushion the impact of the decline.

But agents fear capacity will fall further in 1994, due to the impact of the 1990 losses on Names, and that capital shortages could begin to undermine the market's overall viability. This, in turn, could put more pressure on Lloyd's to attract corporate capital to the market.

Lloyd's agreed to examine ways in which corporate investors could be attracted to the market following the publication of the Rowland task force report earlier this year.

The report's author, Mr David Rowland, takes over as chairman of Lloyd's next month, and is expected to give more impetus to these efforts.

Mr Cooper says 1990 losses could reach £1.5bn as a result of losses from storms and continuing asbestos and pollution-related claims in the United States.



NEARLY 200 guests were evacuated before dawn yesterday in sub-zero temperatures as a fire damaged a new hotel on Edinburgh's historic Royal Mile. A 100m sq area of roof and the two upper floors of The Scandic Crown, opened two years ago, were badly damaged. No one was hurt as 100 firemen fought the blaze.



Peter Gommers, General Manager Industrial Surfactants Europe:

# I am free

"As a management consultant with a degree in chemical engineering, I took a close look at various chemical companies. So when it was my turn to join the ranks of those who manage - I had a pretty clear picture of what to expect. What I wanted was

to work with people who were the best in their field. What I didn't want was to waste years waiting to run my own shop. That's why I teamed up with Akzo. The market we're in is constantly on the move. To move with it, we have to travel light. And

within the corporate guidelines, we've got all the freedom to do so. Akzo represents the best of two worlds - the flexibility of a local entrepreneur, and the power of a global player. You need both to create the right chemistry."

Akzo is one of the world's leading companies in selected areas of chemicals, fibers, coatings, salt and health care products. Some 63,000 people, active in 50 countries around the world, make up the Akzo workforce. For more information, write or call: Akzo nv, ACC/F4, P.O. Box 9300, 6800 SB Arnhem, the Netherlands. Telephone (31) 85 66 22 66.

CREATING THE RIGHT CHEMISTRY





NOTICE OF REDEMPTION  
To The Holders ofNew England Life  
Mortgage Funding Corporation

114% Sinking Fund Bonds, Series 1985-1, Due February 1, 1995

NOTICE IS HEREBY GIVEN as provided in the Indenture dated as of February 1, 1985 (the "Indenture"), between New England Life Mortgage Funding Corporation (the "Company") and The Chase Manhattan Bank (National Association), as Trustee (the "Trustee"), that the Company will redeem on February 1, 1995 (the "Redemption Date"), after giving effect to the February 1, 1993 sinking fund redemption, all of its remaining outstanding 114% Sinking Fund Bonds, Series 1985-1, Due February 1, 1995 (the "Bonds") at 102% of the principal amount thereof (the "Redemption Price"). Payment will be made upon presentation and surrender of the Bonds at the below-listed paying agencies together with all appurtenant coupons, if any, maturing subsequent to the Redemption Date. The amount of any missing uncashed coupons will be deducted from the sum otherwise due for payment. Interest on the Bonds will cease to accrue on and after the Redemption Date. Coupons which mature on the Redemption Date should be detached and surrendered for payment in the usual manner.

Payment will be made at any of the following paying agencies listed below:

The Chase Manhattan Bank  
(National Association)  
London Branch  
Woolgate House, Coleman Street  
London EC2P 2JD, England

Chase Manhattan Bank  
(Luxembourg) S.A.  
5, Rue de la Liberté  
L-2253, Luxembourg-Grand  
Luxembourg

Credit Lyonnais Belgium N.V.  
Lange Gestelsstraat 9  
B-2000 Antwerp  
Belgium

Morgan Guaranty Trust Co.  
of New York  
Avenue des Arts, 35  
1040 Brussels-Belgium

Chase Manhattan Bank  
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Switzerland

Payment pursuant to the presentation of the Bonds for redemption made by transfer to a dollar account maintained by the payee with a bank in the United States, may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding of 31% of the gross proceeds (including premium, if applicable) if a payee fails to provide a paying agent with an executed IRS Form W-9 in the case of a non-U.S. person or an executed IRS Form W-9 in the case of a U.S. person. Those holders who are required to provide their accurate Taxpayer Identification Number and who fail to do so may also be subject to an IRS penalty of U.S. \$50. Accordingly, please provide all appropriate certification when presenting the Bonds for payment.

NEW ENGLAND LIFE MORTGAGE FUNDING CORPORATION  
By: THE CHASE MANHATTAN BANK  
(NATIONAL ASSOCIATION),  
as Trustee

Dated: December 21, 1992

## SINGAPORE

The FT proposes to publish this survey on

March 1 1993  
For further information telephone

Samantha Telfer  
071-873 3050  
Fax: 071-873 3595

or  
Sarah Pakenham-Walsh  
(Hong Kong office)  
(852) 868 2863

Fax: (852) 537 1211

FT SURVEYS

## ECONOMICS

## Fall tipped in British GDP

THE final figures for UK gross domestic product in the third quarter are published today, with details on expenditure and the components of output. GDP, including oil and gas extraction, is forecast to have fallen a further 0.7 per cent, compared with the third quarter last year - although some economists are expecting a small increase.

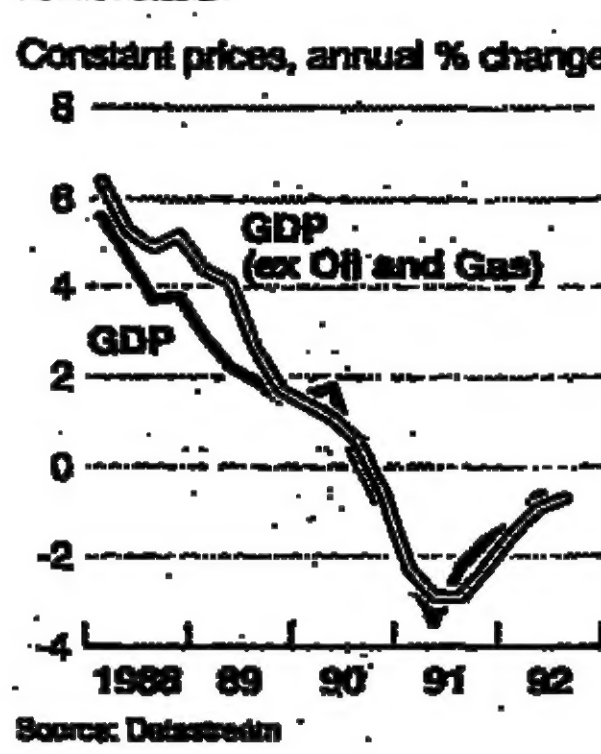
Later in the week, figures for real personal disposable income may show a small drop in the savings rate from 10.3 per cent in the second quarter to 10 per cent in the third. However, the latest figure is unlikely to reflect any change in spending habits after the reduction in base rates to 7 per cent after Britain left the European exchange rate mechanism on September 16.

If lower interest rates have enticed people to save less and spend more, the effect will probably show up in the fourth quarter figures, not due until early next year. All markets will be closed on Friday, except in Japan, where trading continues and a string of economic statistics is due.

Other economic events and figures published this week follow. The figures in brackets are the median of economists' forecasts from MMS International, a financial information company.

Today: UK GDP for third quarter (flat on quarter, down 0.7 per cent on year); Germany, November 1992 monthly climate; US, November Treasury budget (-\$38.5bn); Canada, October retail sales (up 0.2 per cent); Japan, November money supply - M2 and cash deposits (down 0.6 per cent); November broad liquidity; December wholesale

## UK GDP



price index - first ten days.

Tomorrow: UK, November current account (£1.2bn deficit); November visible trade (£1.3bn deficit); US, final third quarter GDP figures (up 3.9 per cent); deflator (up 1.7 per cent); third quarter after tax corporate profit, 1993 real capital spending, Johnson Redbook week ended December 19, Federal Reserve Board Committee meeting in Washington; Canada, October wholesale trade, October departmental sales (up 0.1 per cent); Japan, October leading difference index, coincident diffusion index, December trade balance - first 10 days; Australia, October import prices, October manufacturing input prices; New Zealand, November trade balance.

Wednesday: UK, third quarter personal disposable income, third quarter savings ratio (10 per cent); France, December trade balance (FF2.2bn surplus); US, November durable orders (down 0.1 per cent), November durable goods (down 0.1 per cent), November personal income (up 0.4 per cent), November PCE (up 0.4 per cent), auto sales Dec 11-30

(6.3m units); Canada, October investment in C&I securities; Japan, National Holiday, all Japanese markets closed.

Thursday: US, initial claims week ended December 12 (341,000), state benefits week ended December 5, November export price index, import price index, final December Michigan sentiment index, money supply data for the week ended December 14, minutes released from the FOMC meeting of November 17; Australia, November motor vehicle registrations (up 1.5 per cent).

Friday: Christmas Day, all markets closed except Japan; Japan, December consumer price index - Tokyo (up 1.1 per cent), excluding perishables (up 2.1 per cent), December CPI - nation (up 0.8 per cent), excluding perishables (up 2.1 per cent), November unemployment rate, November retail sales (down 4.1 per cent), November industrial production (down 0.7 per cent), November construction orders, November housing starts (up 9.1 per cent), November construction starts.

During the week: Germany, November M3 (up 9.3 per cent), cost of living for Baden-Württemberg, Hesse, North-Rhine Westphalia and Bavaria, preliminary figures for December cost of living (up 0.3 per cent on month, up 2.9 per cent on year), GfK construction climate, November import prices (up 0.3 per cent on month, down 4 per cent on year); Italy, November trade balance, November M2, November balance of payments, November net foreign reserves, December CPI (up 0.6 per cent), Belgium, December CPI (up 2 per cent on year).

Emma Tucker

## DIVIDEND &amp; INTEREST PAYMENTS

■ TODAY  
Alcan Aluminium \$0.075  
Assoc. British Ports 11 1/2%  
Bd. 2011 £593.75  
Bristol & West Bldg.  
Society Senior Var. Rate  
Nts. 1994 £241.38  
Commonwealth Bank of  
Australia Gtd. Und. Var.  
Rate Cap. Nts. \$101.19  
Daikwa Int. Fin. 7.875% Sb.  
Bd. 2008 \$7021.88  
Drayton English & Int'l 0.6p  
Enron \$0.35  
Finnish Export Credit 8 1/4%  
Dual Currency Bd. 1995  
Y82,500  
Flaming Japanese Inv. 0.35p  
Garmore European Inv. 1.1p  
Gen. Motors Acceptance  
Corp. 10% Nts. Dec. 1993  
Eu100  
Do. (UK) 9 3/4% Nts. Dec.  
1993 £97.50  
Halifax Bldg. Society 5 1/4%  
Nts. 1993 Y82,500  
Hunting 4p  
Itochu Corp. Fltg. Rate Nts.  
1998 Y312,548  
Leeds Permanent Bldg.  
Society Fltg. Rate Nts. 1996  
£236.98  
Lowland Inv. 5.5p  
Marubeni Int. Fin. 7.3% Bd.  
1994 Y730,000  
Nationwide Bldg.  
Society Sb. Fltg. Rate Nts.

2004 £240.09  
NT & T 8 1/2% Nts. 1998  
\$850.0  
North American Gas Inv  
1.125p  
Smart (J) 6.2p  
Tokyo Electric Power 9 3/4%  
Nts. 1996 Ecu96.25  
Do. 10 1/2% Nts. 20/12/96  
C\$106.25  
Yuen Foong Yu Paper Mfg.  
2% Bd. 1992 \$200.0

■ TOMORROW  
Dickie (James) 1p  
Flash Ser. Gamma Sec. Fltg.  
Rate Nts. 1997 \$527.96  
GFW Fin. 10 1/2% Gtd. Nts.  
1992 £106.25  
Hercules \$0.56  
Lasma 10 1/2% Db. 2009  
£5.1675  
Marine Midland Banks Fltg.  
Rate Sb. Nts. 2009 \$132.71  
Riggs National Fltg.  
Rate Sb. Nts. 1996 \$132.71  
Standard Chartered Und.  
Prim. Cap. Fltg. Rate Nts.  
£118.10  
Taiwan Power Co. Fltg. Rate  
Nts. 1992 \$266.88  
Television South West 2p

■ Wednesday December 23  
Allied Leisure 3.25p  
American Cyanamid \$0.4125  
Citicorp Fltg. Rate Sb. Cap.

Nts. 1996 \$132.71  
Devenish (JA) 10 1/4% Db.  
2017 £5.125  
Foreign & Col Eurotrust  
1.23p  
FR Grp. 4.2% 2nd Cm. Pl.  
2.1p  
Halliburton \$0.25  
Leeds Permanent Bldg.  
Society Sb. Var. Rate Nts.  
£245.84  
Marine Midland Bank Fltg.  
Rate Sb. Cap. Nts. 1996  
\$132.71  
Midland Bank Und. Fltg.  
Rate Prim. Cap. Nts. (June  
1985) \$254.17  
Riverview Rubber Eats  
M\$0.10  
Unilever 5.2p  
Unilever NV FL1.48  
Woolwich Bldg. Society  
9 3/4% Fixed/Fltg. Rate Nts.  
1995 £51.01

■ Thursday December 24  
Black & Decker \$0.10  
Lex Service 8 1/2% Cm. Pl.  
2.275p  
Manchester 3% Rd. 75p  
Do. 3% 1991 Rd. £2.00  
Metropolitan Water Kent  
Water 3% Db. £1.50  
Sashan Merchant Banking  
Fltg. Rate Nts. 1995 \$481.86  
State Bank of India Fltg.  
Rate Nts. 1997 \$266.88

## UK COMPANIES

■ TODAY  
COMPANY MEETINGS:  
Garmore European Inv.  
Trust, 18-18, Monument  
Street, E.C. 2, 2.00  
HighPoint, Institute  
of Directors, 116, Pall Mall,  
S.W., 10.00  
BOARD MEETINGS:  
Finals: Abbey Panels  
Interims: Fauspel Trading  
Fletcher King  
Ivory & Sims

■ TOMORROW  
COMPANY MEETINGS:  
Clyde Blowers, Livingstone  
Street, Clydebank, 11.30  
Foreign & Colonial  
Eurotrust, Exchange House,  
Primrose Street, E.C.,  
12.15  
Regina, Gresham College,  
Barnard's Inn Hall,  
Holborn, E.C. 10.30  
BOARD MEETINGS:  
Final:  
Chrysalis

Interims: Albrighton  
Bettles  
Border Television  
Foreign & Col Smaller Cos  
I & S Optimum Inc. 7st

■ Wednesday December 23

BOARD MEETINGS:  
Finals:  
Casper Oil  
Kelsey Inds.  
Company meetings are  
annual general meetings  
unless otherwise stated.

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The FT proposes to publish this survey on  
February 17 1993.  
If you want to reach this important audience, call  
Gavin Bishop  
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FT SURVEYS

## CONFERENCES &amp; EXHIBITIONS

## JANUARY 11 1993

**Mental Health At Work**  
Conference  
Sponsored by the Dept of Health in  
collaboration with CBI, TUC, IFM,  
ACAS, Dept of Employment, HSE and  
HRA, this conference is aimed at chief  
executives, personnel managers,  
occupational health professionals and  
health and safety representatives and will  
present the business case for corporate  
mental health policies. Contact:  
Professional Briefings, Tel: 071-233 8322.

LONDON

## JANUARY 18 1993

**Market Testing**  
350 Central Govt. professional, technical  
and office services to the value of £1.5m  
are examined for Competitive Tendering  
in 1993. A one day conference where  
delegates can learn the procedures,  
identify the opportunities and meet many  
of the officials concerned. Contact:  
Ossendick Tel: 071-242 4141  
fax: 071 404 0258

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## JANUARY 18-19 1993

**Local Authority Pension  
Scheme Review**  
Course detailing the specific requirements  
and investment aspects relevant to Local  
Authority Pension Schemes. Essential for  
council finance staff, council members  
and investment managers. Contact:  
Investment Education plc. Tel: 061-833  
9656 Fax: 061-834 8050

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## JANUARY 25-26 1993

**Unit Trust Administration**  
A complete review of Unit Trust  
Administration and Operations including  
background Pricing and Dealing,  
Distributions, Reporting, Registration and  
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## JANUARY 25-27 1993

**Investment Markets Briefing**  
Complete briefing on stockmarkets, bond  
markets, futures and options, institutional  
and portfolio investment. For IT  
executives, accountants, solicitors,  
trustees and other executives working in  
or with securities companies, but lacking  
detailed knowledge. Contact:  
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## 26 JANUARY 1993

**PEP Administration**  
A complete overview of PEP operations  
and administration including an  
explanation of the product and relevant  
investment contract. This course is for PEP  
managers, supervisors and staff lacking a  
coherent view of the whole system.  
Course repeated regularly. Contact:  
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## 1-2 FEBRUARY 1993

**Money Market Operations For  
Public Bodies and Institutions**  
A practical course on Money Market  
Operations including the instruments,  
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government and corporate treasurers and  
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## FEBRUARY 3-4

**A Trustee Briefing for Unit  
Trusts**  
A complete overview for Trustees and  
Custodians of all Unit Trust  
Operations, including Legal  
Responsibilities, Regulation and  
Compliance, Taxation, Trustee  
Operations in practice, Pricing and  
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## FEBRUARY 8

**Bonds and Fixed Interest  
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Provides a comprehensive overview of the  
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## FEBRUARY 9

**Corporate Actions**  
A detailed review of Corporate Actions  
including Rights, Scrips, conversions,  
interest and dividend payment, etc.  
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securities and investments.  
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## FEBRUARY 10-11

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operations involved in Global Custody  
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## FEBRUARY 11 &amp; 12 1993

**The Russian Oil Industry:  
Foreign Investment Opportunities**  
Convened by The Centre For Foreign  
Investment & Privatisation, Moscow,  
Petroleum Intelligence Weekly and The  
Royal Institute of International Affairs.  
Sponsored by Bankers Trust Company, ENI,  
Price Waterhouse and Shell International.  
Seminars: RIIA Conference.  
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## FEBRUARY 18 1993

**IT Investment Appraisal**  
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improving corporate performance in the critical  
area of IT investment appraisal. The event  
draws on the practical experience of managers  
from leading organisations, and reviews a  
variety of the latest methods and tools.  
Contact: Business Intelligence.  
Tel: 081-544 1830. Fax: 081-544 9020.

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## FEBRUARY 15-16

**Establishing Futures and  
Options Unit Trusts**  
A detailed review of the Regulatory, Legal,  
Product and Accounting areas essential in  
setting up a UK Futures and Options Unit  
Trust. Parallel course in Luxembourg -  
details on request.  
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Tel: 061-833 9656 Fax: 061-834 8050

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## FEBRUARY 22 1993

**London Motor Conference**  
The conference will look at the challenges  
and opportunities facing the European  
motor manufacturing and components  
industry and review developments in  
distribution and franchising.  
Enquiries: Financial Times.  
Tel: 071-814 9770.  
Fax: 071-873 3975/3969.

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## FEBRUARY 22 &amp; 23 1993

**Acquiring in Europe**  
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anyone considering a European  
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through the M&A maze, covering both  
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acquiring in Europe. Competition is  
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essential. Not to be missed!  
Contact: Acquisitions Monthly.  
Tel: 071 823 8740. Fax: 071 561 4331.

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## FEBRUARY 23 &amp; 24 1993

**Cable & Satellite Broadcasting**  
The year's meeting will assess how multi-  
channel television delivered by cable &  
satellite is continuing to expand, the  
onward march of television choice for  
viewers and the business opportunities  
opening up.  
Enquiries: Financial Times.  
Tel: 071-814 9770.  
Fax: 071-873 3975/3969.

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## FEBRUARY 25-26

**Fund Director's and  
Compliance Officer's Guide to  
ESOPs**  
A comprehensive overview of Efficient  
Portfolio Management for Directors,  
Fund Managers and Compliance  
Officers. Includes essential product  
knowledge, permitted strategies, stock  
leading and legal and accounting  
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## MARCH 1

**Review of Local Government  
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## MARCH 8 &amp; 9 1993

**World Pharmaceuticals**  
The conference will consider the  
challenges facing pharmaceutical  
manufacturers in a changing economic  
climate, how the industry is responding to  
the need to balance ethics with business  
interests and to win both political and  
public confidence.  
Enquiries: Financial Times.  
Tel: 071-814 9770.  
Fax: 071-873 3975/3969.

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## FEBRUARY 10 &amp; 11 1993

**Europe - The Way Forward**  
The aim of the Forum is to look at growth  
prospects in Europe, the framework for  
economic and monetary policies, as well  
as trade and competition policies and the  
industrial challenges and strategies.  
Enquiries: Financial Times.  
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## FEBRUARY 15-17

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NEW DELHI

## EUROPE IN CRISIS

- Will the Maastricht Treaty ever be applied? If not, what will the consequences be for Europe?
- After the agricultural file, how do the other negotiations look, which are currently under way, under the aegis of GATT?
- How will the European budget be financed?
- What will be the consequences of a rapid deregulation of the European markets?
- Where do we stand in terms of harmonising fiscal and corporate levies?
- In the name of competitiveness, is not Brussels undermining European industry?
- How will the Single Market contribute to the expansion of your company?
- Does not the enlargement of the Community run the risk of compromising the construction of Europe?
- Will your company benefit from the various forms of assistance dispensed by Brussels?

For managers who feel that the answer to one or more of these questions is not without import for their company's strategy Interconferences has organised, at the Hilton, Budapest, 22-24 January 1993:

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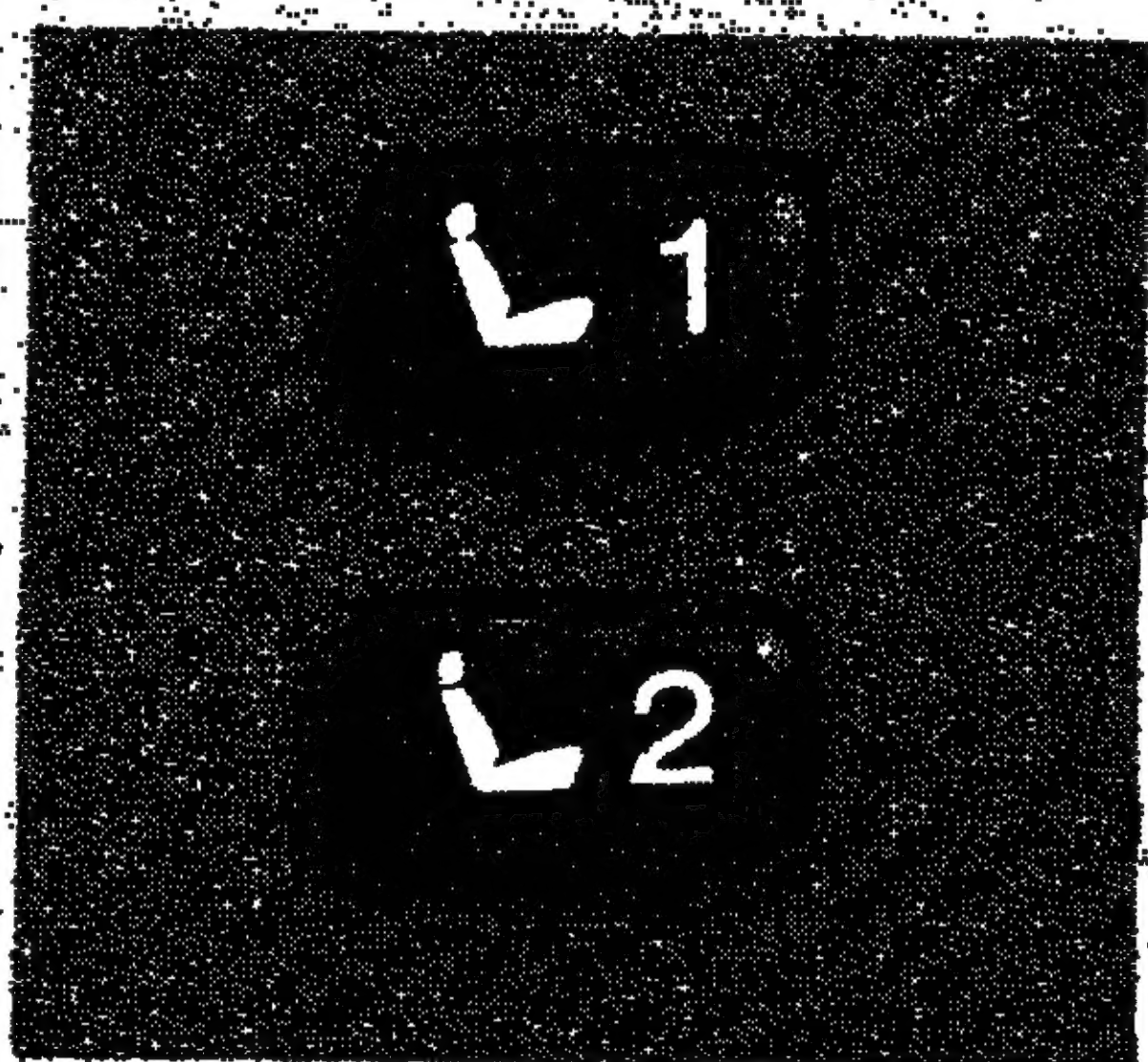
## COMPANY NOTICE

**GENERAL MOTORS CORPORATION**  
Further to the DIVIDEND DECLARATION of 23rd  
November, 1992 NOTICE is now given that the following  
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December, 1992 against presentation to the Depository (as  
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# Although we all know men and women are made differently, *Lexus is the first car to have spotted it.*

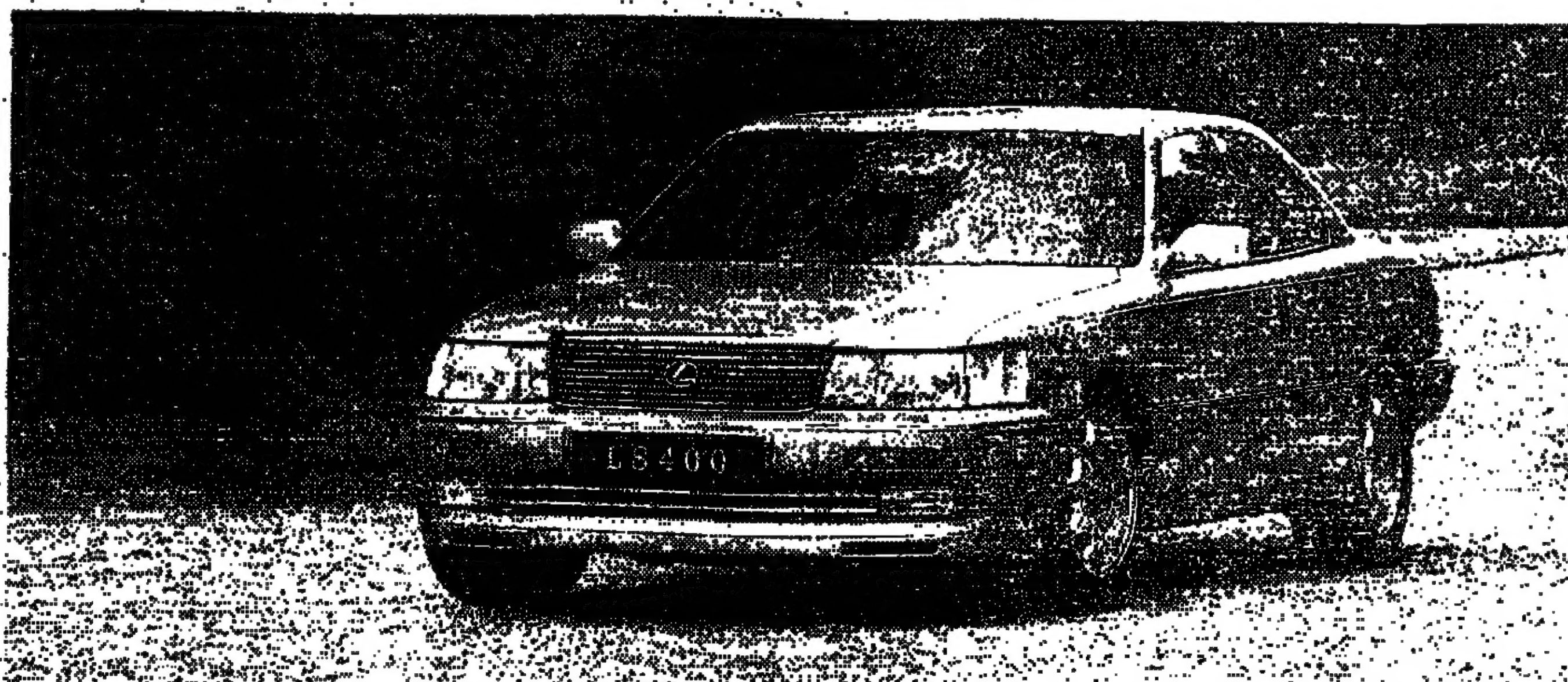


Sit behind the wheel of a Lexus LS400, press a button and it recognises you. It adjusts the seat, the steering wheel, the outside mirrors, the safety belt and the headrest to the positions you've told it you like. It's the same but different story when your spouse gets behind the wheel and presses the other button.

But why is Lexus the first luxury car to come up with such a refinement? After all, comfort has always been highly individual. The answer is probably because the LS400 was built from scratch. And having a blank sheet led to clearer thinking about what it takes to make a car supremely comfortable. (It also led, incidentally, to Lexus having to take out hundreds of patents.) It meant instead of compromise and bolt-on solutions, Lexus could start at the beginning. With, for instance, a body design that's more aerodynamic than even many sports cars. With a pioneeringly sophisticated suspension system, to iron out life's little ups and downs. With a whis-

pering 4.0 litre, V8 engine, seated, not on conventional solid rubber mounts but on vibration minimising fluid filled mounts. With a gearbox which, because it's computer controlled, produces gear changes which are barely perceptible. And with a fanatical resolve to eliminate noise.

Then we moved into the cabin and started to attend to the kind of comfort details which endear the LS400 to men and women, driver and passenger alike. There's the supple softly wrinkled leather upholstery, and the California walnut trim. There's the air-conditioning system which quickly, but very quietly, creates your ideal climate. And there's silence. Unless, that is, you turn on the seven speaker CD system and listen, for once, to your favourite music without any unmusical accompaniment from the car, or the road, or the world outside. But why not experience the LS400 by visiting a Lexus dealer? You'll soon spot the difference between the LS400 and traditional luxury cars.



**LEXUS**  
THE LUXURY DIVISION OF TOYOTA



## MANAGEMENT

What does it take to be a business guru? Christopher Lorenz finds the nature of the job is changing as the experts listen to their own advice

# Warhorses on parade



Famous gurus Peter Drucker, Charles Handy and John Sculley are generalists but David Nadler reflects a new wave with a more focused approach (pictures left to right)

## A bumper year in store for books about business

AT FIRST glance, it seems quite like old times. Almost all the well-worn international warhorses have just reappeared on parade, or will do so during the next 12 months. In the front rank, as for the past decade, stand one Canadian, Henry Mintzberg, and four Americans: Rosabeth Moss Kanter, Tom Peters, Michael Porter, plus the captain of them all, Peter Drucker. They are now accompanied by an old British hand, Charles Handy, who has been accepted as an international leader only in the last 18 months.

But behind them, things are stirring in the lesser ranks.

Struggling to be noticed, and succeeding handsomely from time to time, is a fresh breed of warriors with a more focused approach to business warfare.

Most of them are also Americans, such as David Nadler, Peter Senge and George Stalk. But they also represent a rather broader smattering of nationalities, including - appropriately for the guru business - several Indians.

Military metaphors are more appropriate than one might think for the world of business gurus. True, the rivalry between them for fame and fortune is decidedly cerebral, and most go to great lengths to be polite about each other - in public, anyway.

Many of their ideas also overlap. Most agree on the changes being wrought by the growth of "knowledge-based organisations" (in Drucker's phrase) and by the accelerating pace of change in every aspect of business, including the need for managers and other employees to be "liberated" (a Peters-ism) from the bureaucracy which often stifles companies.

But some clashes of approach will emerge with a vengeance in 1993, to a degree which could create a real battleground around one particular book next autumn (see right).

Battle is certainly the right word for the commercial jostling going on between publishers to promote their younger authors as tomorrow's Moss Kanter, Handys, Porters - even perhaps Druckers.

The redoubtable Drucker, who at the age of 83 is still producing a new book a year, has already sold 80,000 copies in the US of this year's *Managing For The Future*, 90,000 in Japan and more than 40,000 in its UK edition. Tom Peters, whose fatter blockbusters now tend to appear about every five years, is thought to have chalked up over 750,000 copies just in the US of his last book, *Thriving on Chaos* (1987). His new one, *Liberation Management*, hit the ground running on its publication a few weeks ago.

These days, book sales are only the base of the guru business. Way above them, in terms of dollars per

Judging the most internationally influential business books of any particular year is always a hazardous exercise.

But in 1990 they were probably George Stalk and Tom Hout's *Competing Against Time*, plus Richard Pascale's *Managing on the Edge*, which dealt with the challenging task of revitalising companies by making them "engines of inquiry".

In 1991 Peter Senge's *The Fifth Discipline* almost certainly took the prize; this focused on the formidable topic of systems thinking, as part of the broader concept of how to turn one's company into a learning organisation capable of adapting to - and even anticipating - all the changes in its competitive environment.

Ripples from Senge's work have continued to spread this year, especially in Europe, where

it was published only last winter. A similar delayed impact has occurred in the US over the past 18 months with Charles Handy's *The Age of Unreason*, which first appeared in Europe in 1989.

Apart from the latest works of Drucker, Peters and Moss Kanter (with *The Challenge of Organisational Change*), one of the most internationally influential books published in 1992 was *Corporate Culture and Performance*, by Kotter and Heskett of Harvard, which shows how companies can be made more adaptive.

The new year promises to be a real cracker. Apart from the continuing impact of Peters (with his *Liberation Management*), and the new Drucker and Porter, the 1993 schedule includes Handy's *The Age of Paradox*, a new Stalk & Hout on *Gaining Time*, and a Henry Mintzberg attack on strategic planning.

One book awaited with special eagerness in the trade is *Competing for the Future*, by C. K. Prahalad and Gary Hamel. This will be the first book co-authored by these two professors, but as authors of a string of influential articles in the *Harvard Business Review* over the past few years, they have built an exciting reputation, which sparked an energetic publishers' auction for their signatures. It was won by Harvard.

With Mintzberg in support, the book will bring strategy back to centre stage after almost a decade. It will set the cat among the pigeons in two senses: by attacking the west's allegedly unimaginative strategic thinking over the past 20 years; and by challenging the current American obsession with "re-engineering" and operational improvement. It could also catapult the duo towards popular guru status.

which star old warhorses as well as younger specialists in strategy, marketing, technology, leadership, human resources and so on. Many are continental Europeans.

Such activities can put even European academics on a similar level of overall earning power as the businessmen-gurus (there are few women as yet). The appeal of most such people tends to be domestic. But, as John Sculley has found in the US, Sir John Harvey-Jones in Britain and Alain Minc in France, that does not make them paupers.

Meanwhile several of the best

known US and European academic names are thought to have almost trebled their earning power as speakers in recent years by signing up with an agency which made its name by acting for the original Star Trek crew and Vincent Price, the horror actor. Which is entirely appropriate given the entertainment value offered by the best of the mega-gurus.

But what of the research and ideas behind all this mammon? The way things are shifting is evident from the events of the past decade.

When business books first exploded into mass-market products

in 1982, most business gurus were generalists. Their doyen, Peter Drucker, exemplifies the genre by his very stretching of its boundaries. Alone among the business gurus, he can range comfortably from advising on individual management styles and organisational culture right into macro economics, politics and society. He does so again with his latest book, *Post-Capitalist Society*, which will appear in a few weeks' time.

From the "soft", organisational end of the spectrum, Charles Handy comes closest to him, but would not pretend to Drucker's economic

expertise. At the "hard" end of the spectrum, Harvard economist Michael Porter plunged into the world of business strategy and transformed it before broadening his field still further by turning to the competitive advantage of nations. His latest foray has been into the US capital investment system, the subject of a big book next autumn.

Like Handy, Moss Kanter and Peters use society as a backdrop to investigate the shifting nature of business organisations.

Apart from Japan's Kenichi Ohmae, the list of today's mega-guru generalists stops there. By contrast, most recent books have plunged into detail about only one or at most two of these areas.

Whereas much of the focus in the mid-1980s was on business strategy - including globalisation, product differentiation and alliances - almost the only outstanding strategy book of the last few years, other than Ohmae's, has been Pankaj Ghemawat's *Commitment - The Dynamic of Strategy* (1991).

Instead, the main focus of most business books since the late 1980s has been on organisational issues. They have ranged from a spate of works on quality to a rush on the management of change. Since 1991 there has been a veritable flood of "organisational architecture", "business process redesign", and various aspects of so-called "organisational re-engineering".

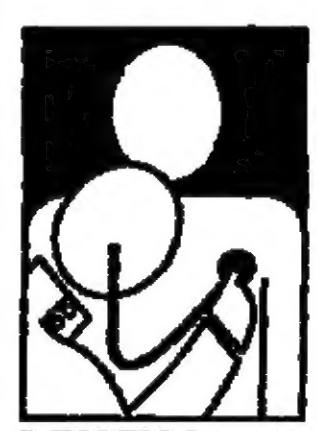
This shift of emphasis by so many writers is no coincidence. It reflects two trends. The first is the growing preoccupation of business people with the difficulties of implementing strategies, and with the urgent need to make their organisations more cost-effective and responsive to customers.

The second reason is what one might call the coming-of-age of the business books business. As industries from cars to fast food have matured, business academics have advised them to "segment" (specialise) their markets more.

The academics are now applying the same formula to themselves, partly in response to the growing sophistication of the customer. Thanks to all the generalist literature of the early and mid-1980s - from *In Search of Excellence* to the *One Minute Manager* series - most managers have learned basic concepts, and want to focus on the complexities of how really to make things happen.

That, with the exception of the mega-gurus, is why most books now tend to be relatively specialised. But it will also make it harder for the new generation of authors to ring the changes often enough to be able to return to the battleground with a string of best sellers. To be a true guru, you have to do that.

## Go to work on some calcium



HEALTH CHECK

What do such diverse things as teeth, bones, oyster shells, chalk, limestone, marble and pearls have in common? Calcium. This mineral is essential in maintaining bone density.

nerve transmission, heart beat regulation, muscle contraction and blood clotting.

Moreover, researchers are finding increasingly important roles for calcium, notably with regard to heart disease. More than 95 per cent of the body's calcium is in the bones.

One's need for calcium increases steadily through adolescence. Between the ages of 20 and 40, calcium increases bone density and thickness. Osteoporosis, or "porous bones", is a gradual loss of structural minerals (decalcification) which begins in adulthood and progresses with age.

If you are worried about osteoporosis, consider these measures:

- Take regular exercise. A 30-30 minute walk three times a week will help to keep your bones strong and healthy.
- Don't smoke.
- Have only moderate alcohol and coffee consumption.
- If you are a woman, discuss estrogen hormonal replacement with your doctor.
- Increase daily calcium intake. Calcium-rich foods include low-fat skimmed milk, yoghurt, cheeses, leafy greens, canned salmon, sardines with bones, kale, broccoli and tofu.
- Avoid aluminium-containing antacids.
- Avoid eating excessive protein.

If you feel that you are unable to get enough calcium, either because of insufficient intake or excessive loss - through drinking of alcohol and coffee - you could consider calcium supplements. However, as extra calcium intake can be associated with kidney stones, check with your doctor before beginning such a regime.

**Dr Michael McGannon**  
The author is the medical director of the *Inside Business Health* course.

This weekend's FT comes wrapped in some special paper.

Thursday's Christmas Eve FT.

To celebrate the season of peace and goodwill to all businessmen and women, the Financial Times is giving you a present.

The Boxing Day edition of the Weekend FT comes with Thursday's paper (the FT will not be published on Saturday 26th).

So you can enjoy a pink Christmas this year.

No FT...no comment.

### LET'S GET IT RIGHT

If you have a complaint about an item in this newspaper which concerns inaccuracy, intrusion, harassment or discrimination, write to the editor about it.

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Telephone 071 353 1248  
Facsimile 071 353 8355  
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### JAPANESE FINANCIAL MARKETS

The FT proposes to publish this survey on March 2 1993. Japanese markets like their European counterparts have been hit by the current world recession but Japan remains a major economy with enormous potential. In a special survey, the Financial Times reports on the latest developments affecting Japanese financial sectors - a vital perspective for anyone wanting to do business in Japan.

For further information, please call  
Tatsuo Dawes  
Tel: 071-873 3260  
Fax: 071-873 3595

FT SURVEYS

## THE BUSINESSMAN'S BRIEFING FROM BANGKOK TO BALTIMORE.

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### The Financial Times proposes to publish the Motor Industry Surveys

- 21 January 1993 Vehicle Fleet Management
- 23 March 1993 Executive Cars
- 19 April 1993 World Automotive Suppliers
- 3 June 1993 Second Cars
- 15 September 1993 The Car Industry
- 3 November 1993 Commercial Vehicle Industry

For further information, please contact

Richard Wainwright 071-873 3595

FINANCIAL TIMES  
EUROPE'S BUSINESS NEWSPAPER





# *Is this* the way your international advertising agency handles your international business?

## *A Battle Royal*

More often than not, that's what the running of an international advertising account turns into.

What begins as a noble corporate goal – "one campaign for all markets" – is wounded country by country.

It dies the death of a thousand cuts, unrecognisable as a single campaign.

Many advertisers are feeling increasingly frustrated.

Especially as 81% of Marketing Directors working across Europe are trying to standardise all of their Pan-European advertising.

And 70% of advertising business put up for pitch in European markets in 1990/91 was reviewed not nationally but throughout Europe.

Yet, of the clients who believe in this transnational way of working and are now striving to achieve it, only 18% feel

that they are being completely successful.

This should come as no surprise.

They want to improve their single, cross-border creative message but their advertising agencies seem unwilling or unable to help.

These days, client companies, more than their international agencies, recognise that "Consumer Convergence" is becoming not just a wishdream of marketing men, but a true phenomenon.

It has been accelerated by increased travel, improving communications technology, global fashion trends and – by legislation – through the EC.

More people in more countries have the same fundamental requirements of the products they buy.

Which is already leading irrevocably to the need for a single transnational advertising strategy and just one creative execution for individual products.

However, existing international agencies still duplicate their services in every location. With domestic profit and agency ego getting in the way of transnationalism.

Hardly surprising then that every local CEO, Creative Director and Account Director, of a supposedly unified international agency, has it in their interest to say "We didn't invent it; it won't work here; let's do our own thing."

A resounding defeat of a client's objective, if ever there was one.

Yet this is the path most global multinational agencies have trod for the last 40 years. And they'll find it virtually impossible to change their structure to keep pace with their clients' needs.

On October 1st 1992, a better way of working became a reality.

On that date CME-KHBB opened up its doors in London, Paris, Milan,

Frankfurt, Brussels, Madrid, Zurich, Minneapolis, New York, Hong Kong and 26 further offices around the world.

It is the coming together of two highly respected advertising agencies – Campbell-Mithun-Esty of the USA and KHBB of the UK.

We already handle such clients as Alcatel, 3M, Pillsbury, Honeywell, Allied Lyons, Chrysler, General Mills, Carlsberg, Texaco, Reckitt & Colman and Unilever.

And together we make up the 17th largest agency network in the world with billings of over \$1.2 billion.

But, as we've intimated, this is no ordinary network.

CME-KHBB is structured as a worldwide network of "Hubs" and "Spokes."

The Hubs will provide the strategic planning and outstanding creative talent to develop transnational advertising and relay it to the Spokes.

The Spokes will provide essential local input to the Hubs at the initial strategic stage, then tailor the transnational theme to local requirements faithfully and sympathetically without re-inventing the wheel. (The Spokes are there strictly to service the Hubs. They will not pitch for "domestic only" business.)

The Hubs think global.

The Spokes act local.

We're one agency acting as one agency, in the truest sense of the word.

No other network ever set up in the history of advertising has been able to offer its clients such consistency or strength of purpose.

Because we are born of the reality of the 90's, CME-KHBB doesn't carry the baggage of duplication and the cost base of multinational agency history.

You may have been bloodied already on the battlefield of existing international agencies.

Or you may simply want to avoid the expensive, time-wasting and wearisome experience altogether.

In either case, you should investigate CME-KHBB further.

Unless you're one of the untroubled minority, you have nothing to lose. And everything to win.

Just one call to Stuart Bull at CME-KHBB in London on (44) 71 379 5656, or Judy Balint in Paris on (33) 1 42 66 64 80, could revolutionise your business all over the world.

Without a fight.

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# In Europe, a lot of people you know

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Apple Computer	Lehman Brothers International
Atlas Copco Airpower NV	Lloyd's of London Press
BACOB-Savings Bank	Melitta
Banco Santander	Mobil
Banco Zaragozano	MWM
Barcelona Olympics (COOB '92)	NATO
Baring Asset Management	Norwegian Civil Aviation Administration
Belgacom	Norwich Union
Benetton Formula 1	OMC Europe
BP	Opel
British Aerospace	Pechiney
British Pipeline Agency	Philips
Caja Madrid	Pilkington
Castrol	RAC Motoring Services
Caterpillar	Saab
Commission of European Communities	Sandvik
CSM	Shell
Danone	Société Générale
Davy International	South Western Electricity
Delco Electronics	Spillers Foods
Diputación General de Aragón	Staroil
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European Parliament	Sun Oil
European Space Agency	Swedish National Road Admin.
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Denmark Jens Gade (45) 3957 8600	Hungary John Mounce (36) 1 202 4724	Portugal Helena Almeida (351) 1 387 2515	United Kingdom Alan Stevens (44) 81 848 8989
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	Netherlands Jos Schoemaker (31) 10 498 7524	Spain Javier Ribas (34) 1 407 2119	

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## PEOPLE

### Wambold spearheads Lazard's international corporate finance

Ali Wambold, a partner of New York's Lazard Frères & Co, has been given the task of spearheading the international corporate finance business of its London relation, Lazard Brothers & Co.

Wambold, 38, who is responsible for UK and European investment banking for Lazard Frères, has been based in the London headquarters of Lazard Brothers for several years, and will continue as chief executive of the New York firm's London business.

However, his appointment as a managing director of Lazard Brothers, with "particular responsibility to lead the firm's international corporate finance business", is a further sign that the three Lazard banking houses - in New York, London and Paris - are working increasingly closely together. Although all three firms have been successful in their home markets, the growing amount of international corporate finance work has resulted in a need for better co-ordination.

David Verey, chairman of Lazard Brothers which is 50 per cent owned by the Financial Times' parent Pearson, says that Wambold's job is new, but adds that it was the "message rather than the title" which was important. He said



that Wambold, who is descended from the old Persian royal family, had become "very much part of the firm" and had "great energy, guts and go".

Wambold started his investment banking career on Wall Street, first with Lehman Brothers and then Lazard Frères where he helped found Corporate Partners, a \$1.6bn investment partnership which takes friendly long-term stakes in major companies. Included among his outside directorships is a seat on the board of Albert Fisher.

Lazard Brothers has also announced the appointment of the following executive directors: John Collins, Anthony Coveney, Federico de Giorgis, Keith Jones and Nicholas Shott.

### Robb joins Aberdeen Petroleum

George Robb, who has just resigned as chairman of Aberdeen Trust, is taking over the chairmanship of oil and gas producer Aberdeen Petroleum, a USM-owned company he helped found in 1981. He succeeds Calum MacLeod, who has been the company's only chairman to date.

Robb, who remains on the board of Aberdeen Trust, says that Aberdeen Petroleum "suffers the problem shared by many small oil companies, namely that they are perfectly healthy but are just not big enough to generate any interest among the institutions. One of the challenges for me is to raise our profile."

Like Robb, MacLeod, 57, worked at a (different) firm of Aberdeen solicitors on the investment management side. He has since become a freelance company director, among other things chairing Britannia Life as well as being deputy chairman of Grampian TV. He is stepping down from the oil company, having been made chairman of the Grampian Health Board.

The company, which is headquartered in London and whose interests are presently entirely in the US, has recently made an approach to - and been initially rebuffed by - fellow-USM company Brabant, which is focused in the UK.

### Alliance Resources

Norris Harris has resigned as a director of Alliance Resources, the struggling US-based natural resources company quoted in London. Harris had been appointed managing director of Alliance in October following the unexpected dismissal of chairman John O'Brien. Receivers were called in to Alliance by Manx Petroleum, of which O'Brien is also managing director. At the same time, directors of its main operating company in the US - including Norris - filed for bankruptcy protection under Chapter 11. O'Brien has since been reinstated as Alliance chairman. Harris's resignation came as a surprise to the Alliance board. He had filed a

request just one week earlier to run the group's exploration and production arm, although this had been rejected by Alliance's creditors.

### LIT Holdings

John Ruth has been appointed chairman and chief executive officer of LIT America, the US futures broker owned by LIT Holdings, having previously served as president and chief operating officer. He replaces David Vogel, who has left the company to take up a position at a US securities firm.

Stephen Balsamo, chief financial officer of LIT America, has been made a vice-chairman and has also been appointed to the board of LIT Holdings. LIT Holdings also owns Johnson Fry, the financial advisory group.

## BUILDING CONTRACTS

### Malaysian airport

ANGLO JAPANESE AIRPORT CONSORTIUM has been awarded the \$28m contract for the design and engineering development of the new international airport for Kuala Lumpur at Sepang by the Malaysian Government.

The consortium comprises Balfour Beatty, the construction arm of the BICC Group, GEC-Marconi, Trafalgar House Construction together with Gammon of Hong Kong, and Marubeni Corporation of Japan. It will shortly complete the masterplan study for the new airport, which was awarded in February this year, for which BAA in conjunction with JAC of Japan were lead

consultants. Construction of the permanent works is expected to start on site in July 1993. The Malaysian Government has identified and safeguarded a 10,000 hectare site for the airport near Sepang, some 50km to the south of Kuala Lumpur. The airport is scheduled to open in 1997.

The detailed engineering and first stage construction of the airport will include two runways, terminal buildings and associated infrastructure.

The masterplan for the airport includes proposals for a road and a dedicated rail line to Kuala Lumpur. It is intended that the project should be funded by a mixture

### Restoring infrastructure in Kuwait

As part of the Kuwait reconstruction programme following the Gulf War, UNITED GULF CONSTRUCTION (UGC) has been awarded what is believed to be the largest ever microtunnelling project in the Middle East, and probably the world.

The UGC contract, worth in excess of \$1m, comprises more than 70km of sewer pipe and microtunnelling of which about 4.5km will be constructed with the aid of Isaki microtunnelling systems.

The works, designed by Associated Consulting Engineers of Athens, Greece, mark the start of the rebuilding of Kuwait's underground infrastructure.

The company is purchasing three Isaki slurry-shield microtunnelling systems from Euro Isaki of Stratford-upon-Avon, England. Approximately 40 per cent of

the microtunnelling work will be to install 250mm i.d. sewers.

Specially designed clayware jacking pipes for the sewer are being manufactured and supplied by Naylor Bros. (Clayware) from the Denlok range.

Work has commenced on the project, and will be subject to a continuous programme of method assessment. The Isaki packages and Naylor Denlok pipes will be delivered next January.

of private and public finance.

AJAC are employing Sir William Halcrow & Partners together with Malaysian engineering companies - HSSI, SSP and Ranthill to carry out the design work.

Architectural design will be carried out by Akitek Jurumang together with Kisho Kurokawa of Japan.

### Birmingham rail development plan

The Passenger Transport Authority has accepted tenders totalling £14m to carry out civil engineering work on a new cross city rail link.

TRAFALGAR HOUSE CONSTRUCTION has been awarded a contract worth £7.7m to carry out bridgework and prepare the track formation for the four mile rail route from Birmingham Snow Hill to Smethwick. KIBB CONSTRUCTION, MOWLEM (MIDLANDS) and AMEC CIVIL ENGINEERING have won the contracts to build new stations at the Jewellery Quarter (£2m), the Haw-

thorns (£1.5m) and Smethwick Galton Bridge station (£2.9m) respectively.

Contracts to carry out track, signalling and associated works will be let at a later date.

The £23m project will create a Stourbridge/Worcester to Stratford/Lexington cross city link via Snow Hill and Moor Street. The Transport Authority is using £15m of its own capital receipts, backed by a £8m European Community grant and £8m from Regional Railways to finance the project.

With an extra 40,000 passengers a week expected to be attracted by the link, extra passenger income means that the scheme will pay for itself within 15 years. The project will link the Jewellery Quarter and West Bromwich to the rail network and improve reliability for Stourbridge commuters.

It will also ease capacity problems on the Wolverhampton/New Street line, so that plans for a new station to serve the National Indoor Arena and ICC can be developed. The link is expected to be open by summer 1995.

### £7m hospital work for Higgs & Hill

HIGGS & HILL companies have been awarded hospital contracts worth a total of £7m in Norwich, Tameside, Bradford, Wolverhampton and Worthing.

Higgs & Hill East Anglia has been awarded a £2m contract by the East Anglian to construct a three and four-storey building in the grounds of the University of East Anglia, in Norwich.

Higgs & Hill Northern is to undertake £1m of refurbishment and new build work to create an integrated paediatric unit at Tameside General Hospital for the Tameside and Glossop Health Authority.

Higgs & Hill Northern has also been awarded two further contracts, worth £1.4m, adding to the extensive programme of work it has already undertaken at St Lukes Hospital in

Bradford. One of the contracts is to be undertaken in joint venture with Haden Young.

The first contract is a satellite building to house a new services centre.

The second contract involves the construction of a satellite building to create a staff restaurant, snack bar and coffee bar within the new extension to serve the rest of the hospital.

### Improving Brighton's sewerage system

When you're lying on Brighton beach next summer put your ear to the shingle and listen carefully: 30 metres below you sophisticated tunnelling equipment and dozens of construction workers will be carving a cathedral-like cavern out of the chalk.

When completed, you will be able to drive a double-decker bus through the six metre diameter and five kilometre long tunnel, which will stretch from one end of the beach to the other - from Brighton marina to Hove.

Technology similar to that used in the Channel Tunnel

will be employed to excavate the £30m tunnel, which is designed as an overflow for Brighton's wastewater system, to be used in heavy storms.

Although the primarily Victorian sewerage system serving Brighton and Hove is still in excellent condition, there is a risk of overflow into the sea during particularly heavy rain.

The tunnel will eliminate this risk by collecting and storing the excess wastewater, which after the storm will be pumped to the treatment works for normal treatment.

The tunnel's storage capacity will be 123,000 cu metres or

about 26m gallons. The main entry point for tunnelling will be at Black Rock to the east of Brighton and will be extended westward to Hove. Four drop shafts will be constructed on the foreshore to intercept storm overflow discharges.

Contracts are expected to go out to tender this week and work is expected to take three years to complete.

The tunnelling project is part of a programme which will see Southern Water investing more than £3m each week for the next 10 years on a large number of projects throughout its supply area.

## CONTRACTS AND TENDERS

### THE REPUBLIC OF HUNGARY

The Municipality of the City of Budapest

The Ministry of Transportation, Communication and Water Management

invite international contractors to tender for the first section of the DB-R line of the

### BUDAPEST METRO

The subject of the tender includes the design, construction and commissioning of the line, the supply of all equipment and the submission of a full financing package. Components of the project include the following:

- two 5.4 km single track deep level tunnels
- 7 stations
- a single track tunnel to a vehicle park
- a depot and maintenance workshop
- all rolling stock, signalling and fixed equipment

The tender documentation can be obtained at a cost of US\$4,000, payable upon request for the documents, from the 21st December 1992 at the following address:

### METROBER

(for attention: Miklos Stanga)  
Hungaria korut 46 H-1143 Budapest Hungary  
Tel: (36-1) 252-2296 Fax: (36-1) 251-6290 Telex: 226817 metro h

The closing date for tender submissions is 19th March 1993.

The Ministry and the Municipality have appointed Hill Samuel Bank as their Financial Adviser and they may be contacted at the following address:

### HILL SAMUEL BANK LIMITED

(for attention: Julia Prescott/Herc van Wyk)  
100 Wood Street London EC2P 2AJ United Kingdom  
Tel: (44-71) 628-8011 Fax: (44-71) 796-3277  
Hill Samuel Bank is a member of The Securities and Futures Authority.

Further information can be obtained from any of the above addresses.

### OIL & GAS DEVELOPMENT CORPORATION PAKISTAN

Invitation for prequalification of Turnkey contractors for Qadirpur Gas Field Development Project.

Oil and Gas Development Corporation (OGDC), a statutory corporation of Pakistan, the Operator for Qadirpur Gas Field, is undertaking a development project at the Qadirpur Gas Field under World Bank financing. The field is located in the north of the Sindh Province, some 60km north of Sukkur.

The project area includes the installation of a gas sweetening plant (CO<sub>2</sub> removal reducing CO<sub>2</sub> content from 6.5 mol% to 2.0 mol%) and extensive pipeline gathering system with more than half the wells located on the River Indus flood plain. The facilities are required to produce up to 340 MMscfd of sales gas plus a nominal quantity of condensate (170 bpd) and 1500 tpd of water with a system for water disposal considering the environmental impact.

ABB Global Engineering Limited, UK have been engaged to provide engineering consultancy services including process selection, basic engineering and EPC tender preparation/bid evaluation for the Qadirpur Gas Field Development Project.

Reputable general contractors who are capable of performing detailed engineering, manufacturing, supply, installation, testing, and commissioning of the plant, utilities and all off-site facilities and who have successfully performed the same kind of work in the recent past, are invited for prequalification as turnkey contractor for this project.

Prospective contractors may obtain the prequalification (PQ) document on or before 6 January 1993, from either of the following on payment of non-refundable fee of US Dollars 1000 (for purchase in UK) or Ru 25000 (for purchase in Pakistan).

Mr M Rafiq  
Project Co-ordinator - Joint Venture  
Oil and Gas Development Corporation  
M-14 Building, Madani F-8  
Islamabad Pakistan  
Telephone No. 252376  
Telex No. 5692 OGDC/PK

Mr S K Shah  
ABB Global Engineering Limited  
Sukkur Road  
Sukkur Cantt Road  
Sukkur  
Sindh 71000 Pakistan  
Telephone No. 061-325 8001  
Telex No. 26333 OGDC/PK  
Fax No. 061-325 8001

Look out for advertisement of PQP in the Engineering and Construction section of the Financial Times.



## Martyred to concrete

Colin Amery samples the architecture of Jean Nouvel

DELPHIC utterances about the future of the world ring out in the darkened galleries of London's Institute of Contemporary Arts, as 12 flickering videos and a multi-screen of giant slides evokes the world of the current darling of French architecture Jean Nouvel.

M. Nouvel, although he was only born in 1945, is an architectural agent provocateur of the old school. He is pleased to be described as ruthless and is one of those architects who tells the residents in his buildings exactly what colour their walls and blinds are to be.

One of the video presentations shows the bare concrete walls of some public housing that Nouvel designed and the subsequent treatment of the same walls by the tenants... I am sure the ICA hopes we will all side with the artistic purity of the architect, but I was entirely on the side of the bullied tenants who did not want to live in monastic cells, martyrs to the cause of varnished concrete.

Jean Nouvel's best known building is L'Institut du Monde Arabe on the left bank of the Seine in Paris, the first of President Mitterrand's Grands Projets. It is a beautiful and ingenious creation. The element of the building that has become famous is the south wall which is a modern version of an Arabian screen. This is not built of stone, but of steel and glass, controlling the light entering the building by means of elaborate moving parts.

Opening and closing diaphragms that work like the eyes of a camera also compose themselves into traditional geometric patterns.

A great hypostyle room in the building is reminiscent of the great mosques of the Islamic world. Nouvel's success in this building is to have linked two cultures, both visually and technologically, in an apparently simple way. A

panel from the facade of the institute is on show in the ICA which looks both beautiful, complex and expensive.

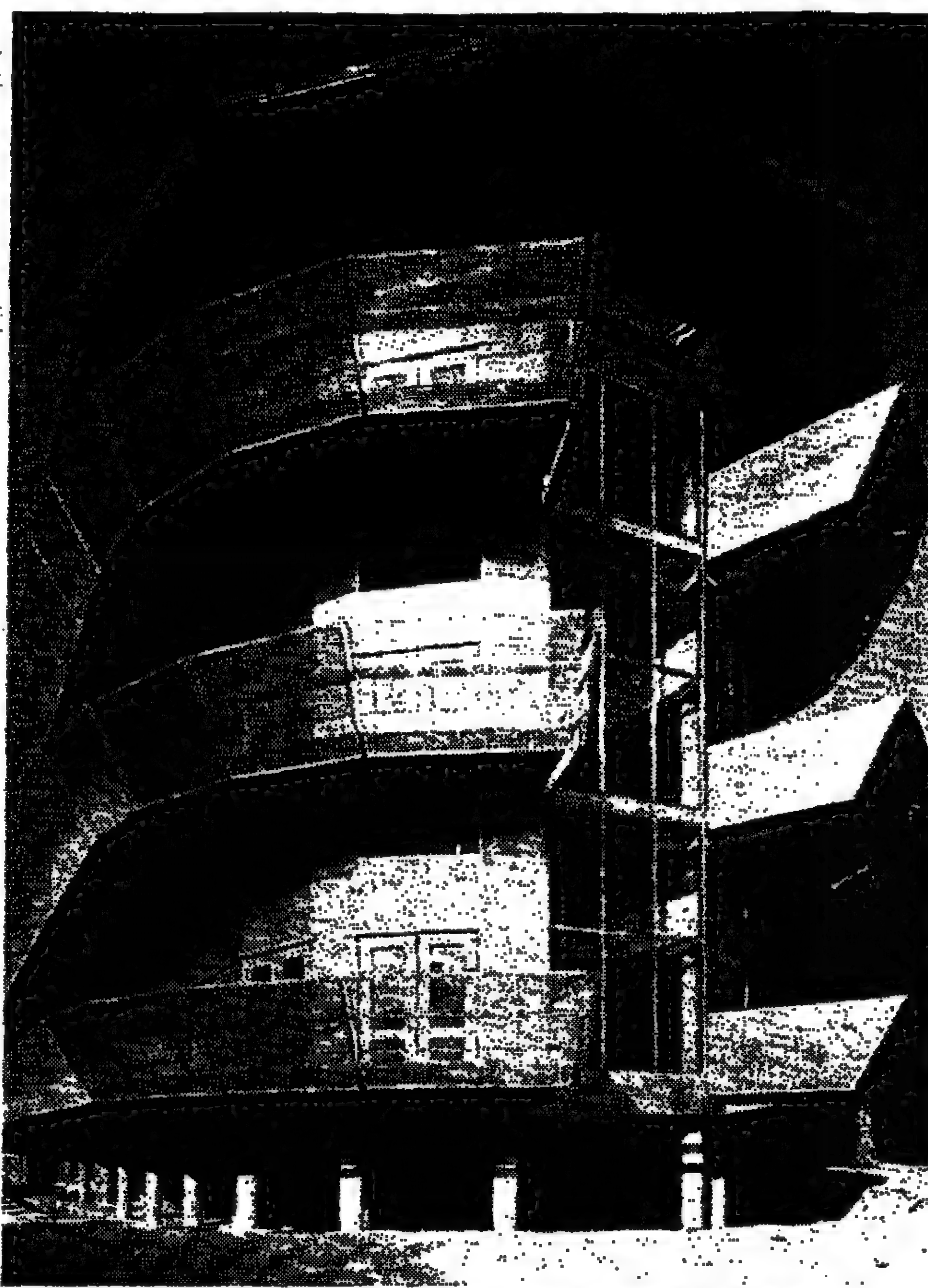
Right key buildings are displayed in slide and video form with little comprehensible commentary. This perverse way of exhibiting has been devised by the architect himself. He designed a similar exhibition in Paris a few years ago, in an attempt to convey his belief that architecture and cinema are closely related.

Architecture does indeed exist as part of a dimension of time and movement and I am inclined to agree that much of the architectural experience is to be enjoyed as part of a movement through a succession of spaces. However, Nouvel tells us this as though Baroque, Mannerist and indeed Gothic architecture had never existed.

The eight buildings show the range of Nouvel's work. His public housing, Nemausus in Nîmes, resembles a boat with staircases and balconies running around the outside of the "hull". The architect explains the appearance as "drama and narrative of voyage where space and light contributes to the dignity of each dwelling". Of course...

It is possible to enjoy the full Nouvel cinema by staying at one of the hotels he has designed. The Hotel les Thermes at Dex in France is a simple glass box covered in wooden shutters, "the narrative of light and shade..."

More interesting is the Hotel Saint-James on a hillside overlooking the Garonne in Bordeaux. Here the modern sets of rooms are clad in rusting metal, duckboards, so that the whole complex resembles the tobacco drying sheds of the area. The hotel rooms are simple with waxed concrete walls and plaster. The sensual gratification comes from the food of



A bit like a boat: Jean Nouvel's Nemausus housing scheme in Nîmes

the brilliant young chef, Jean-Marie Amat, who commissioned this hotel at Bollac.

One room at the ICA is furnished with chairs and tables by Jean Nouvel where you can immerse yourself in the Nouvel experience by reading every known article and book about him. It is important not to miss two projects. The giant Tour Sans Fins the tallest and most slim tower in Europe. It

will soar transparently against the skies of Paris, alongside the arch at La Defense, to a height of over 420 metres. The renovations of the Lyons Opera House will open next spring, and they show a sensitivity to the old house as well as some exciting additions.

Apart from the pretentiousness of this exhibition it demonstrates that Jean Nouvel is an interesting architectural figure.

His work is beautifully executed and sometimes original and he draws upon a rich range of contemporary cultural experiences. The work has a confidence and pragmatism that is admirable.

Jean Nouvel Emmanuel Cattani et Associés, Institute of Contemporary Arts, The Mall, London, SW1 until February 14

## Opera in Paris/Ronald Crichton

### Saint François d'Assise

said that the flickering motion relates to mystical experience - a daunting prospect.

Sometimes the screens distract because one cannot see what is on them, sometimes because one can. In the sermon to the Birds anyone who likes feathered friends is sorely tempted to stop listening and go bird-spotting.

Most of the screens are arranged in a double frame round the proscenium arch. Those on stage, disposed in various ways, too often make it hard to distinguish principals standing in front of them. With too much light directed at the audience the singers' facial expression is at a discount. In spite of various aggravations, when the magnitude of the problem is taken into account, this is an impressive staging of a major but extremely demanding work.

It is futile to engage in discussion as to whether or not *Saint François* is "really an opera". It is not, and was not meant to be one in the sense of *Don Giovanni* or *Lohengrin* or

*Otello*. Surely what matters is, on Messiaen's chosen ground, does it work in the theatre? After hearing the live recording of the original production I felt that although he had little inborn theatre instinct, in certain scenes the birds, the Angel as musician and the

*Anyone who likes feathered friends is sorely tempted to stop listening and go bird-spotting*

Stigmata) Messiaen reveals himself as a musical dramatist of considerable power. Having now seen his opera on the stage I am tempted to modify that to "musical dramatist of an in every way exceptional kind."

In the theatre the four hours of music seemed even longer than on record. The principal reason for that is the static nature and almost uniformly

slow, hieratic pace and metrical sameness of the declamation. Here something unexpected happens. Messiaen is careful with the vocal lines, many vocal phrases, especially in the *Saints* part, being unaccompanied, between instrumental outbursts. But increasingly, as the evening went on I found the words difficult to catch. Not the fault, surely, of this expert cast, nor I think in this case of the Bastille acoustics, but because the general pace is so far from the rise and fall of normal speech. Also because there was a miscalculation about the ability of soft singing and half-voice to carry in this theatre. They do not carry, and José van Dam, sensitively suggesting François' growing physical weakness in the later scenes, suffered with the rest.

The exception was Dawn Upshaw, singing the Angel, the only solo woman's voice in the opera and as a result marvelously effective when done with such shining, secure tone and such gentle humour. The

role is now split into two, with a "dancing angel" to mime such episodes as the stigmatisation. She, unlike her androgynously clothed alter ego, is allowed a real angel's costume, with wings.

One good point for the Bastille acoustics: the multiple bird song, the clanking, clicking tuned percussion and the gurgling, swooping Ondes Martenot sound notably well. The Opera chorus was magnificent, the whole array was finely controlled by Cambreling. One long now to hear more 20th century French opera at the Bastille - including the announced and then cancelled *Padmaoddi* of Roussel. Any hope? On the first night of *Saint François* quite a few people in the stalls drifted away, to be swiftly replaced in the next interval by enthusiasts from higher up (London please note: top prices for this production were about £82). Everyone listened devotedly - how things have changed in Paris in this respect! The applause at the end easily drowned a few boos for the production team.

Five more performances until 29 December. Production shared with the Salzburg Festival and the Los Angeles Philharmonic.

Nutcracker, a production which can be seen on Dec 23, 30, 31, Jan 2, 3 (7200 3744)

#### NEW YORK

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Barbican/ Malcolm Rutherford

## Hamlet

Adrian Noble's new production of *Hamlet* at the Barbican must be among the best you are likely to see. One of the main reasons why is that Noble plays the text in full - the performance lasts 4½ hours. As a result, not only do you learn more about Hamlet the man, but also about the society in which he lives.

It is only possible to mount a production like this if you have supreme self-confidence. Noble has confidence in every word of the text, in the actors, in the designer and above all in his own ability to see the play as a whole. He directs *Hamlet* as if it were a symphony with some startling changes of pace and an eye for detail down to the smallest player. It is a very moving play, to be sure, but this is the first *Hamlet* where you might be tempted to weep at the death of Gertrude.

Noble works by symmetries. One of the most notable is Polonius and his family. Although there is no mention of a mother, it is obviously a happy one which knows its place in the court: below the royals, but above much of the rest - hence Ophelia's Christian burial.

David Bradley's wonderful Polonius is not a buffoon, but a well-educated civil servant plainly regarded as efficient by the king. When Hamlet says of him in front of the players "He's for a jig or a tale of bawdry, or he sleeps", we know that the prince is being unfair. Polonius also has genuine fears that his daughter is getting out of her depth by being wooed so close to the throne.

The first time we see Ophelia (Joanne Pearce) she is in a nursery bedroom, with an upright piano, painted in nursery colours, in the background. She is a young girl growing up and only beginning to use powder and paint. Only a few signs, but there are enough, to give a hint of future turbulence. Ma Pearce knows how to conserve her energy: the mad scene when it comes is devastating.

Hamlet refers to the symmetries himself when he says of Laertes "For by the image of my cause I see the portraiture of his" - another family broken up. And even Claudius, in times that are sometimes cut, acknowledges that the Queen has removed herself from him. "But that I know love is begun by time..." The remarkable fact

about this court is that every body thinks and broods.

The symmetries come out in the language as well. Horatio's "Good night, sweet prince" echoes Ophelia's earlier "Good night, ladies." Every word counts, every word fits. The sets by Bob Crowley never intrude too much. Only once does Crowley go for the spectacular when the court of Denmark turns out to have its own red and gilt theatre for private performances. At the front of the stage is a slightly overgrown miniature cemetery. It serves for Ophelia to pick her flowers.

There are innovations as well as fidelities. In the play scene, Kenneth Branagh's Hamlet takes the word "merry", which is how Ophelia describes him, literally. He appears to be drunk. And when the play within the play reaches a climax, Hamlet commits the crime himself. When he declines to kill Claudius while the king is at his prayers, he leaves his sword behind for Claudius to see. He plays the early part of the nursery scene with Ophelia as if he genuinely wants her to be looked after; only when he senses the presence of Polonius does he become rough.

There are some magnificent details. One incident requires no words, but speaks volumes about Horatio (Rob Edwards).

He may be a learned man and a good friend of Hamlet, but he is not at home in evening dress. Look at the way he wears the waistcoat and tails which have clearly been hired for the court dinner.

Then there is Osrice, played by Guy Henry who will be remembered for his Ananias in the RSC's splendid production of *The Alchemist*. This is not the customary fop, but a courtier of some dignity capable of standing up to Hamlet's insults and discharging his duties.

In almost any other production, one would have discussed Hamlet first, and indeed Branagh's performance is faultless. He looks young, has short hair, but I suppose Hamlets are getting younger. There is no doubt of his love for Ophelia, but he is also capable of being cruel and arrogant. He is perhaps not quite as different from the rest of the court as is sometimes supposed. The principal triumph, however, is not to steal the show.

Only two quibbles. It is surprising that in the line "Madness in greatness must not be unwatched go" Noble allows the word "unwatched" to be pronounced as if it had only two syllables. And judging by the sound effects, Hamlet appears to set off for England by train. The production is financially supported by Unilever.

Faultless performance: Kenneth Branagh's Hamlet

Barbican Hall/ Richard Fairman

## Bruckner Eighth Symphony

It was a busy night at the Barbican. No sooner had the theatre audience for the new *Hamlet* (see above) vacated the foyer than it was filled again by a capacity crowd gathering to go into the concert hall for Georg Solti's 80th birthday concert with the London Symphony Orchestra.

In fact the evening marked a double anniversary. Although it had not been heralded in advance with much of a fanfare, the single item on the programme was a centennial performance of Bruckner's Eighth Symphony, first heard on 18 December 1892. Quite probably by chance, the event came at the culmination of an unusually high number of performances recently of this symphony: Andrew Davis precise and ordered, Franz Welser-

Most at Edinburgh noisily impassioned, above all Günter Wand creating a marvel of deeply-felt symphonic radiance at the Proms.

Like Wand, Solti has a lifetime's experience on which to draw. But his life in music has followed a very different path, leading him along cosmopolitan routes largely away from Austro-German territory, through the opera-houses of the world, taking in music from most national traditions, all of which has left a mark on the way he conducts in his years of seniority.

He also set out from a different starting-point. The fiery young Hungarian has never entirely been extinguished. This performance of the Bruckner was not hard-driven in the way that so often brought Solti

criticism earlier in his career, but it was strongly, even momentarily dramatised. Those grand climaxes which in Wand's performance had risen as glowing affirmations of what had gone before here became combative and triumphant: a battle had been fought and won.

Still in fine form after its recent Sibelius cycle, the LSO supported Solti with well-judged playing, which ensured that louder passages did not blur or get congested, even in this hall, which might be thought inimical to Bruckner. In the end the very determination to conquer the symphony's majestic heights made the evening rise to the occasion.

Sponsored by Philips Electronics UK Ltd.

## INTERNATIONAL ARTS GUIDE

#### BERLIN

OPERA/DANCE Deutsche Oper Tonight: Zar und Zimmermann. Tomorrow: *Die Zauberei*.

Wed: Hansel and Gretel. Fri, also Jan 1: Peter Schaufuss' new production of *Nutcracker*. Sat and Sun, also Dec 31: Offenbach's *Orpheus* in the Underworld. Dec 28: Bejart's Ring Round the Ring. Dec 29, 30: Jiri Kout conducts Beethoven's Ninth Symphony (3410 249)

Staatsoper unter den Linden Tonight: concert of chamber music by Hindemith and Kurt Weill. Tomorrow and Fri: L'Africaine. Wed: Hansel and Gretel. Sat, next Mon: Daniel Barenboim conducts Busoni's *Die Brautwahl*. Sun: John Cranko's ballet *The Taming of the Shrew*. Dec 30, 31: Daniel Barenboim conducts Beethoven's Ninth Symphony (2004 762)

Komische Oper Tonight, also next Mon: *Entführung*. Tomorrow and Fri: *Giustino*.

Sat: Swan Lake. Sun: Cav and Pag. Next Tues: La bohème. Next Wed: Eine Nacht in Venedig. Dec 31, Jan 1, 3: Johann Strauss concert (2292 555)

#### CONCERTS

Schaubühne Tonight: Alexander Rahbari conducts Berlin Symphony Orchestra in Elgar's Cello Concerto (Boris Pergamenschikov) and Shostakovich's Fifth Symphony (2090 2261). Tomorrow: Handel's *Messiah* (817 3364).

Wed: CPE Bach Chamber Orchestra plays works by Bach, Handel and Stamitz. Dec 31: Michael Schoenwandt conducts Berlin Symphony Orchestra in a concert of popular favourites (2080 2156)

SFB Grosser Sendesaal Dec 31 at 14.00 and 17.00: Rafael Frühbeck de Burgos conducts Berlin Radio Orchestra and Chorus in Beethoven's Ninth Symphony (3025 054)

Philharmonie Tonight: Claudio Abbado conducts Berlin Philharmonic Orchestra in works by Lutoslawski, Berio and Rihm, plus Beethoven's First Piano Concerto with Maurizio Pollini. Dec 30, 31: Abbado conducts a Richard Strauss programme, with soloists Martha Argerich, Cheryl Studer, Kathleen Battle and Frederica von Stade (2548 8232)

THEATRE A new production of Ostrovsky's *The Forest*, directed by Thomas Langhoff, opens at Deutsches Theater tomorrow. The repertoire also includes Hofmannsthal's *The Tower* and, at DT-Barock, a new production of Sam Shepard's 1980 play *True West*

(2871 225). The Schaubühne repertoire includes Last Summer in Chulimska, a 1972 play by Alexander Vampilov about Soviet stagnation under Brezhnev, and Jacob Lenz's play *Catharina von Siena* (890023).

Tickets and information for theatre, concerts, revues and nightclub shows available from City Center Theater and Konzertkasse, Kurfürstendamm 18 (tel 882 5563) and Theaterkasse im Europa-Center (tel 261 7051 fax 261 9286)

#### GENEVA

Alain Marcel's French-language adaptation of Cole Porter's musical *Kiss Me Kate* can be seen at the Grand Théâtre daily except Thurs and Fri till Dec 31. Jan 8-15: ballet production featuring new works by Itzik Galili and Christopher Bruce (311 2311). Goldoni's play *The Rustics*, directed by Georges Wod and designed by Ezio Frigerio, can be seen at Théâtre de Carouge on Dec 29 and 31, and daily except Mon from Jan 8 to 24 (343 4343)

#### MILAN

Myung-whun Chung conducts an orchestral concert tonight at La Scala. Luciano Pavarotti gives his last performance tomorrow in the title role of Don Carlo: there will be five performances in January with Sergei Larin. The only performances during the holiday period are those of the Nureyev production of the

Nutcracker, a production which can be seen on Dec 23, 30, 31, Jan 2, 3 (7200 3744)

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Arnold Schoenberg Chorus in sacred music by Schütz and Bach.

The 1993 New Year's Day concert is conducted by Riccardo Muti (505 8180)

Konzertsaal 19.00 Adam Fischer conducts Vienna Chamber Orchestra in a concert performance of Mozart's *Mitridate*, with a cast including Eva Mei and Jochen Kowalski. Dec 30: Sander Vegh conducts orchestral dance music. Dec 31, Jan 1: John Eliot Gardiner conducts Beethoven's Ninth Symphony (712 1211)

THEATRE Most of Vienna's theatres remain open throughout the holiday period, except Christmas Eve. The Burgtheater has Goldoni's *The Impresario of Smyrna* directed by Claus Peymann and Kietel's *Das Käthchen von Heilbronn* directed by Hans Neuenfels.

The repertoire also includes Durrenmatt's *The Visit* and Beckett's *Waiting for Godot*. The Akademischer has a new production of Chkhov's *Uncle Vanya* (51444 2218). Theater in der Josefstadt has Shakespeare's *Taming of the Shrew* and Ariel Dorfman's *Death and the Maiden* (402 5127).

Theater an der Wien has Elisabeth, a new musical about the child bride of Emperor Franz Joseph.

No performance Dec 23, 24, 30 (588 30265)

● Tickets for Staatsoper, Volksoper and Burgtheater available on credit cards by ringing Vienna 5131 513

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(all times CET)

MONDAY TO FRIDAY

CNN 0600-0630, 2200-2330 World Business Daily (Mon, Thurs) FT Business Weekly - global business report with James Ballin 0710-0730, 1240-1300 (Wed) FT Media Europe 0710-0730, 1240-1300 (Fri) FT East-ern Europe Report 2240-2248 FT Report

Sky News 2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN 0600-0630, 1900-1930 World Business This Week - a joint FT/CNN production

Super Channel 0530-0600 FT Business Weekly

Sky News 0710-0730, 1730-1800 FT Media Europe

SUNDAY

CNN 1030-1100, 1800-1830 World Business This Week

Super Channel 1800-1930 FT Business Weekly

Sky News 0130-0200, 0530-0600 FT Media Europe 1230-1400, 2030-2100 FT Business Weekly



## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Monday December 21 1992

## Korea moves to maturity

FIVE YEARS ago, South Korea's first presidential elections for 16 years were marked by violence. The opposition vote was split, allowing a former general to win in an atmosphere of recrimination. The electorate was fed up with politicians even as democracy was born. Contrast the vote for the next president, held last Friday. Riot police were not called into action during the campaign. Allegations of misbehaviour were relatively tame and have not included ballot-rigging. The losers conceded gracefully.

If the elections are a victory for democracy, they are also a remarkable achievement for Mr Kim Young-sam. The veteran opposition campaigner's 41 per cent share of the vote was far larger than he might have hoped. He will need this mandate to confront the challenges left by Mr Roh Tae-woo, widely seen as an ineffective president who has allowed the economy to slip.

It is not clear that Mr Kim has the skills for the job - though the same could be said of his opponents. He is a wheeler-dealer party boss and an effective politician, but - in the transition from anti-military campaigner to candidate of the ruling party he has built up political debts which might limit his freedom of action. He inherits an establishment machine which has proved sluggish in introducing vital reforms and often has a vested interest in slowing them.

There is little dispute about economic reforms, though Mr Kim's advisers advocated a slower pace

than those of other candidates. Democracy brought a rise in wages which reduced Korea's competitiveness. Economic growth has slowed. High-technology industry must be developed and bureaucratic control loosened. The economy needs further opening to foreign competition. Most delicate will be the attitude Mr Kim adopts towards the *chaebol*, the family-owned conglomerates. Many in the ruling party may feel unforgiving after the candidacy of Mr Chung Ju-yung, founder of Hyundai, the largest *chaebol*, and political flirtations of other industrialists. Any attempts to curb the *chaebol*, though necessary, should be tempered by fairness and recognition of their role in Korea's future development.

The political challenges are no less great. Above all, there is the ever-present possibility that collapse of the dictatorship in Pyongyang could suddenly present Mr Kim with the most difficult of all such tasks - re-unification with North Korea. Domestically, decisive leadership is needed to restore the confidence of voters, 16 per cent of whom opted for Mr Chung, a man without a political background.

As former campaigners for democracy, the victor and the runner-up, Mr Kim Dae-jung, are both remnants of a former age. To fight tomorrow's battles, a new generation of politicians - and probably, political parties - must be fostered. Only then will democracy have matured in Korea.

## Five in a fog

IF EVER there were any doubt that the regulation of British broadcasting has fallen into a muddle, the decision to block the establishment of a fifth television channel removes it.

The Independent Television Commission was faced with a single bid for the 10-year Channel Five franchise from Channel Five Holdings. That bid was rejected because the commission feared the consortium was being too optimistic about its revenue and cost projections and because it was not satisfied about the financial commitment of the proposed members of the consortium.

As a result, British television viewers and advertisers may well be denied the development of the last part of the terrestrial TV broadcasting spectrum, which Channel Five Holdings had intended to use for a regionalised, big city-based alternative to existing services.

Whether the commission has acted properly within the terms of the 1990 Broadcasting Act will probably be tested by judicial review. The chances are that it has; it would be unlikely the commission's lawyers to make a mistake of that kind, as it demonstrated by successfully seeing off legal challenges to its decisions in awarding the ITV Channel Three franchise which came into effect next week.

That does not necessarily mean the commission is right. Ten-year revenue projections are no easier in broadcasting than in any other business, and the bottom of the

worst recession since television was invented may not be the most reliable vantage point for making a judgment.

As for the depth of commitment by members of the consortium, that is also something about which lawyers can quibble, but the names on the franchise application - Thames Television, until January 1 holder of the weekday London ITV franchise, Associated Newspapers, Time Warner, Cox and Pearson (owner of the Financial Times) - are scarcely lightweight.

But the crucial point is this: the ITC is failing to do what the Broadcasting Act intended it to do, namely to adopt a lighter touch than its predecessor, the Independent Broadcasting Authority, and to steer the ITV system towards a more open market, in which performance and takeover bids - rather than questionable franchise rounds - determine who comes out on top.

This point applies with particular force to Channel Five, an experimental, even marginal service, which can only succeed if it has sufficient viewers to build advertising support. If a group of investors believes that it worth risking their money to test the viability of the new channel, it is not clear what public gain there is in the ITC thinking it knows better.

If a Channel Five consortium were to go bust after, say, four years, it would hurt no one but its shareholders. The government needs to watch the ITC's step.

## Bonn's example

REUNITED GERMANY'S foreign affairs aim is to follow a policy of good example, according to the well-intentioned though somewhat sanctimonious slogan coined by Mr Hans-Dietrich Genscher, Bonn's former foreign minister. In its approach to dispatching Bundeswehr soldiers to help the UN-led army in Somalia, Germany is making heavy weather of meeting that objective.

Chancellor Helmut Kohl wants to send 1,500 troops to east Africa, probably in February or March, to distribute aid to starving Somalis. This is a welcome proposal. It illustrates Germany's efforts to play a more active role in international peace-keeping, and in world affairs in general, by throwing off some post-war shackles.

The German contingent's duties would be humanitarian: to organise supplies, transport and communications. The soldiers would be lightly armed, for self-defence. The plan is relatively modest. Yet it has been attacked by the opposition Social Democrats (SPD), who say it breaches constitutional limits on using military force abroad. The chancellor has been talking for two years about changing the constitution to allow German armed forces to take part in international peace operations. There has been intense debate about Bundeswehr deployment outside Nato since the Gulf war, when Bonn sent Nato-assigned aircraft to Turkey to help protect it against Iraq. The conflict in former Yugoslavia has added to the need for clarity about Germany's potential peace-keeping role -

even though memories of German troops' Yugoslav presence in the second world war would preclude deployment in Bosnia.

The German constitution can be amended only with a two-thirds parliamentary majority. So Mr Kohl needs the support of the SPD, which wants to restrict Bundeswehr operations to UN "blue-helmet" duties. During the summer, the SPD raised doubts over the legality of the decision to send a destroyer to help monitor the UN embargo of Serbia and Montenegro.

The question mark over that decision appeared incongruous, given Germany's interest in peace in the Balkans obstructing the Somali plan would be still more difficult to justify. In a region unburdened by Wehrmacht legacies, dispatch of German soldiers to feed starving Africans could do nothing but good.

If, as the SPD intends, the German constitutional court is summoned to give its verdict on the Somali case, it should do so with all possible speed. Ultimately, however, decisions such as this hinge not on constitutional propriety, but on political will. Germany, as the pivotal nation in Europe, must give itself the means to put its defence resources to the service of the international community. The country is being severely tested by the domestic challenges of reunification, but it also has wider responsibilities. Using German soldiers to help alleviate the suffering in Somalia would show the world that it is living up to them.

There could not be a more startling contrast between two US high-technology companies: on Tuesday, International Business Machines, the world's largest computer company, announced plans for sharp cuts in jobs, manufacturing capacity and development spending because of dreadful fourth quarter sales. IBM shares plunged.

Just 24 hours later, Intel, the largest US computer chip manufacturer, sent its stock soaring when it said its fourth-quarter results would be well above Wall Street expectations. IBM is such a large company, and was a bell-wether of the US stock market for so many years, that it is easy to see the crisis wracking the business as a symbol of America's supposed industrial decline.

Easy, but wrong. For IBM's core problem - and it is one which is about to hit the large Japanese computer manufacturers which for years have emulated the Big Blue - stems from its failure to adapt fast enough to the revolution which has moved computing power from large mainframes to the desktop. Yet the companies which dominate the expanding personal computer market are also American, not Japanese. And an important reason for Intel's success is that these US PC manufacturers are the prime customers for its chips.

So, while IBM is struggling, the US high-technology sector in general is quietly prospering, and in some sectors winning back market share from international rivals.

For example, the US semiconductor industry, which a few years ago seemed about to be bludgeoned to extinction by Japanese competition, has revived so strongly that 1992 sales figures are expected to show America regaining world market leadership by a narrow margin, thanks to the success of the US PC companies, technical innovation and the opening up of the Japanese market. Mr Craig Barrett, senior vice-president of Intel, calls it the "revenge of the dinosaurs".

There are also signs, albeit much more tentative, of greater American competitiveness in other areas, from consumer durables such as automobiles to basic industries such as steel.

In short, the fashionable pessimism which for years has tarred the US with "the British disease" and condemned to irreversible industrial decline, is beginning to look grossly exaggerated.

It is giving ground to a cautious optimism that, while the US will never again dominate world industry as it did in the three decades after the second world war, it may at least hold its own against Asian and European rivals in many sectors and excel in some of the most important.

This shift in perception is still in its early stages - pessimism was well represented at President-elect Bill Clinton's economic summit last week - but is being reinforced by two developments: America is gradually recovering from the 1991 recession; and Japanese industry is facing structural problems as it battles with domestic economic downturn, severe asset value deflation, and a shift of emphasis from market-share growth to profits growth. Yet the US cannot afford to be complacent. For one thing, past economic shocks - such as the sharp rise in energy prices in the 1970s - have shown Japan to be remarkably resilient and creative in bouncing back from adversity.

Second, a smattering of market share gains cannot disguise the fact that many US companies remain

IBM is no longer a symbol of US industry, which is becoming more competitive, write Martin Dickson and Louise Kehoe

## The dinosaurs arise again

uncompetitive. Look no further than the world's largest manufacturing business, General Motors, which faces a formidable struggle to return its loss-making North American operations to profit after years of arrogant, complacent drifting. That said, GM's Detroit rivals, Ford and Chrysler, have greatly narrowed the quality and productivity gap with Japanese rivals, which control about 30 per cent of the US car market but for now seem to have stopped increasing their market share.

Third, the US still faces some severe, long-term structural problems which threaten industrial competitiveness, including rising healthcare costs (with business picking up most of the insurance costs), lagging investment in plant and equipment and one of the world's least impressive school and vocational training systems.

Action in all these areas ranks high among Mr Clinton's priorities, although none can be solved simply by the wave of a federal government wand.

Many factors are contributing to increasing US competitiveness, but four ingredients stand out: an improving financial backdrop; wholesale restructuring of manufacturing industries over the past decade, coupled with investment in information systems which quicken decision-making; the adoption by many large companies of new quality control techniques, largely learnt from Japan; and selective government assistance.

In the financial field, exporting industries have been greatly aided by the sharp decline from 1985 in the value of the dollar, which most economists argue remains undervalued relative to other currencies.

Corporate America has also benefited over the past two years from a restructuring of its balance sheet. Many companies - ranging from food and tobacco group RJR Nabisco to paper company Georgia Pacific - were loaded down with debt in the 1980s, either because this was fashionable, or to help or hinder takeover bids, or to allow managers to acquire the business in a leveraged buy-out.

A reasonably high level of debt relative to equity does not inevitably impede competitiveness. Indeed, for much of the past 20 years German and Japanese companies have shown their heels to American and British rivals, despite being more highly leveraged. Academic research suggests that the cost of equity to a company which is far from easy to measure - is substantially higher than the cost of debt.

However, there is no doubt that, in the prolonged economic expansion of the 1980s, many US companies leveraged themselves far beyond the point of commercial prudence, so that cash flow was inadequate to service their debts when the 1991 recession struck.

### Samuel Brittan

## Secrets of the heart



Despite decades of brain-washing, I have never been able to persuade myself that discussing the advice given by officials to ministers is like revealing the secrets of the confessional. An unusual light on the issue is shed by the humorous writer Michael Frayn who has, among his other accomplishments, intimate knowledge of Whitehall, including the layout of its buildings, corridors and, above all, skyline.

I have been reading three of the books he has written since he resumed novel writing in 1986. The first, *The Trick of It* (Penguin), is on a different topic - an academic critic who lures the subject of his life work, a female novelist "JL", to his rather shabby university to give a talk; the relationship ends (in every sense) in marriage. There are many delicious paradoxes. The critic has intimate knowledge of every word JL has written. JL, on the other hand, has never read a single bit of her companion's work, which he composes downstairs while she is writing upstairs.

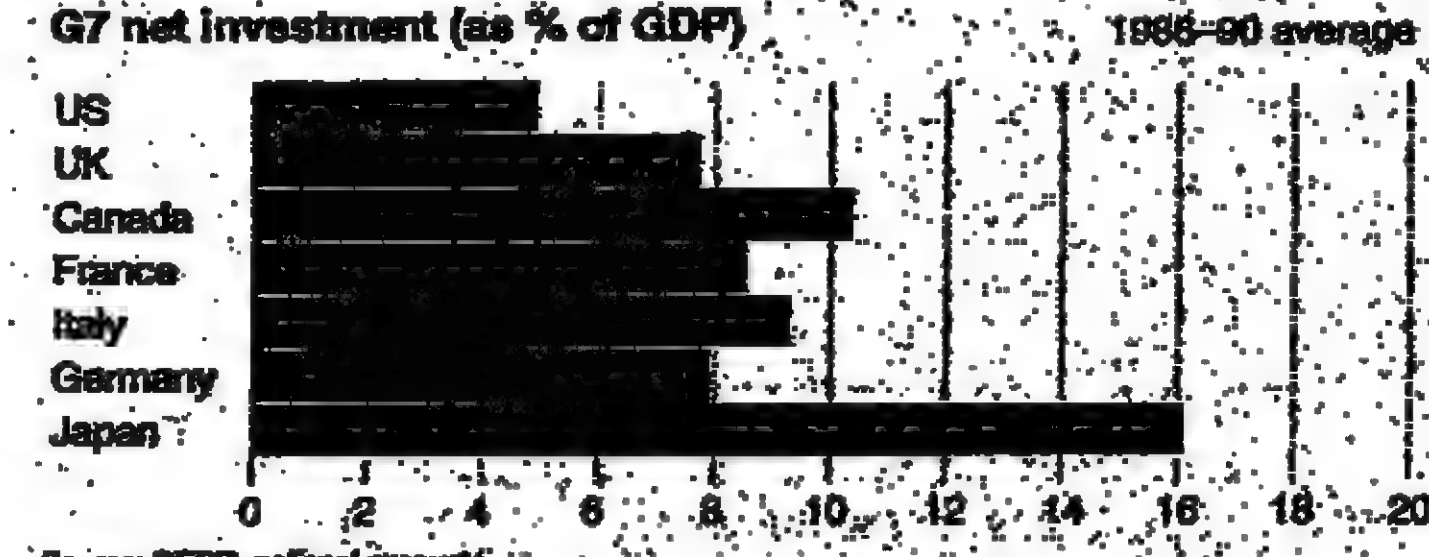
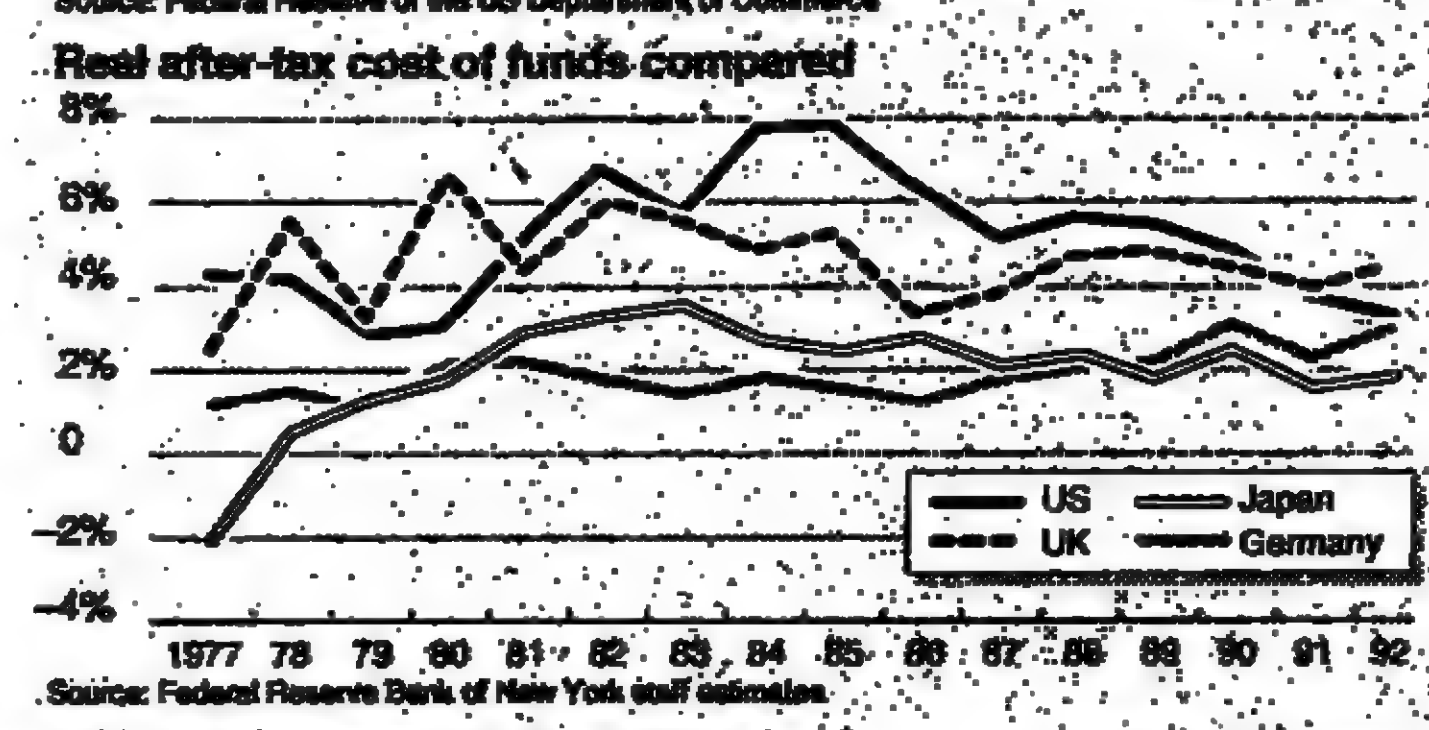
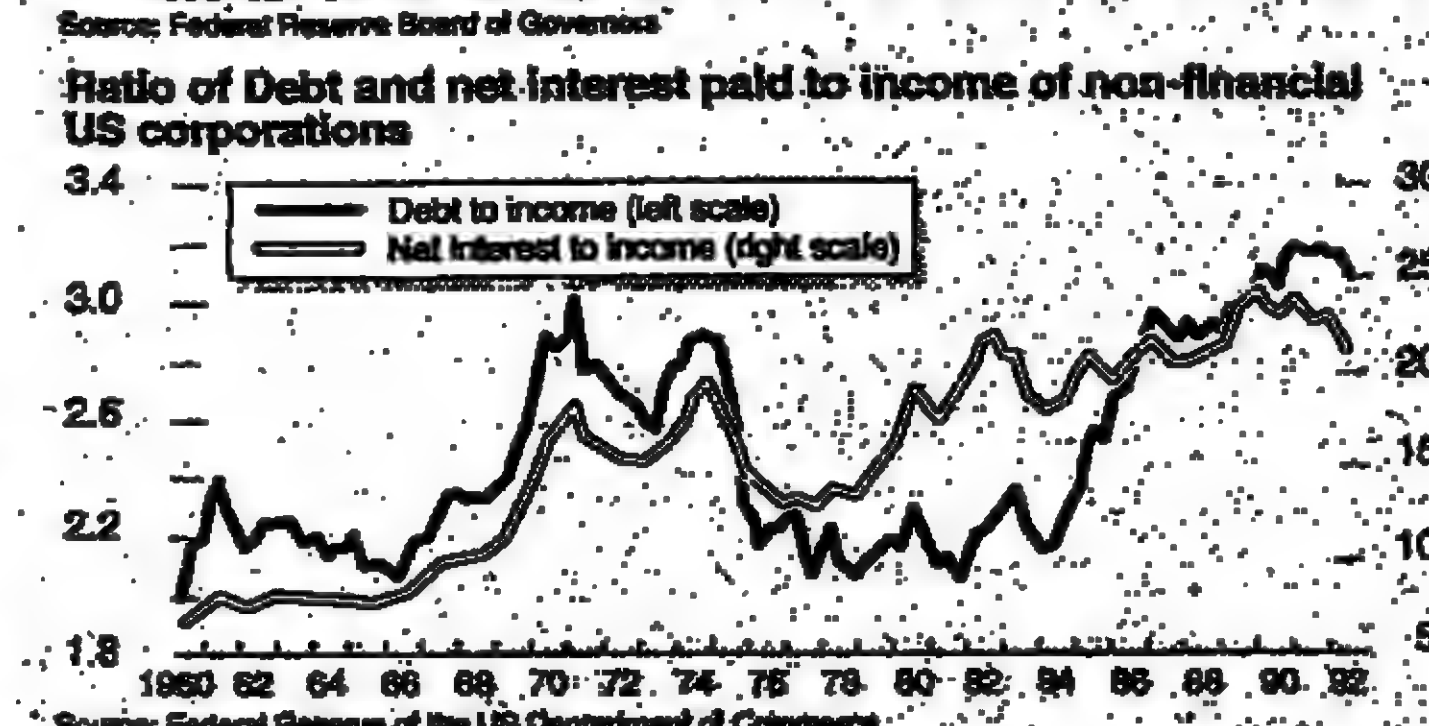
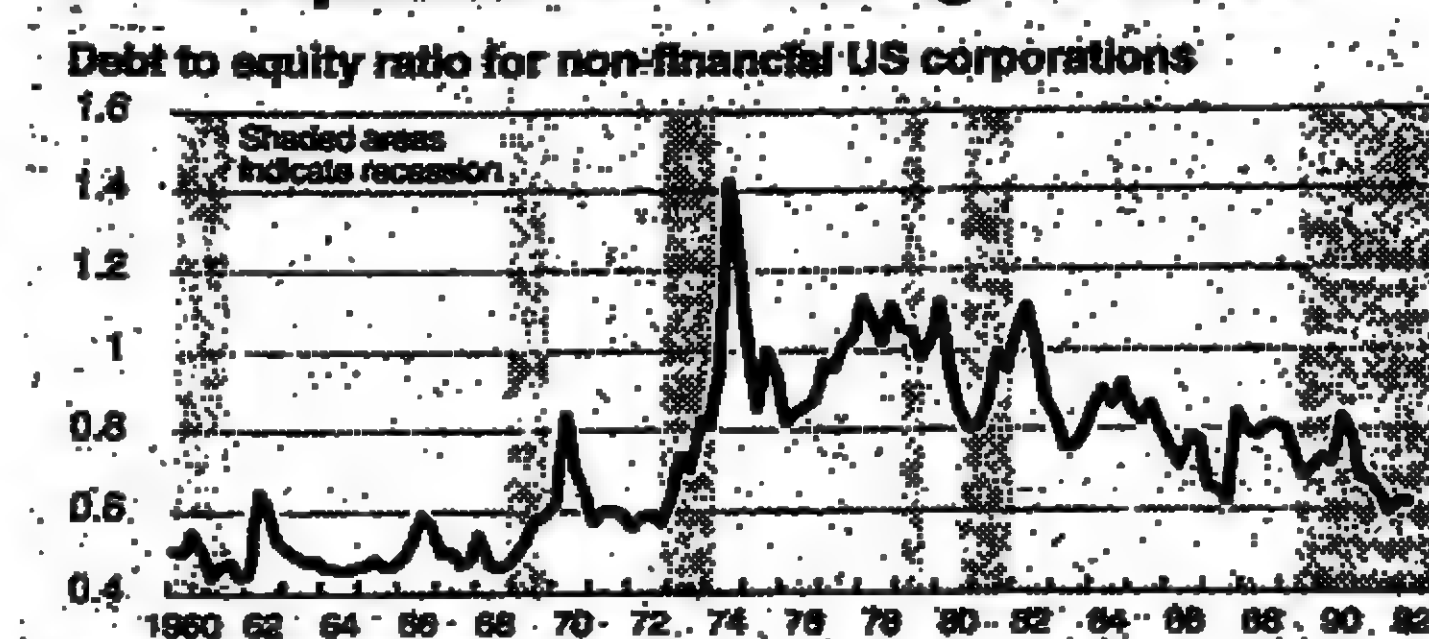
The book which deals most directly with official secrets is the latest, called *Now You Know* (Viking). Its central character, Terry, who runs an anti-secrecy campaign, is described on the dust-jacket as something of a wide boy. "OK, maybe he does come across as a headline-grabbing charlatan sometimes but he is a bit of a charmer all right - ask anyone." In a seedy office behind the Strand, Terry has accumulated quite a large staff with a telephonist, librarian, secretary and so on - all of whom respond to callers with the word "open" and who have as many secrets from each other as any group of establishment politicians and officials. One secret, revealed at the end, is



who is financing the whole show. Rather more intriguing is why a straight-laced Whitehall high flyer, Hillary Wood, who initially despises Terry and everything he stands for, leaves the Home Office to join his organisation. The obvious answer is that Terry may be her father but I'm not sure this is correct. There are moments of high farce, for instance when she takes part in a demonstration outside her old permanent secretary's house in Chorney Wood - now there's an idea. Despite all the high jinks at the expense of the anti-establishment, the reader cannot forget that there has been a cover-up over the death of a man in police custody, a cover-up supported by the sensible, educated Home Office types which many readers will know from their own acquaintances.

I suppose the moral is that we all carry an Official Secrets Act in our own heads. Frayn is, however, at his most successful in the second of the three novels, *A Landing in the Sun* (Penguin), which is the funniest yet also the most realistic and serious. A civil servant, Stephen Summerchild, is appointed secretary of a committee set up by Har-

### US competitiveness: revenge is sweet



Over the past two years, though, corporate America has been redressing the balance with a wave of new share issues, ending a seven-year drought, and the ratio of debt to balance sheet equity has dropped sharply (see chart).

At the same time, a drop in long-term interest rates to 8% per cent, the lowest level for 15 years, has allowed companies to call in relatively high-priced debt and take on fresh borrowings at lower costs.

This, coupled with a gradual improvement in corporate profits, is improving business's ability to service its debt. Corporate interest payments as a percentage of income have dropped to about 21 per cent,

compared with a peak of almost 25 per cent at the end of 1989.

However, this remains high by historic standards and analysts at Salomon Bros, the New York investment bank, warn that "much more restructuring and income growth will be required to restore debt-to-income ratios in the non-financial sector to levels that typically have accompanied sustained economic expansions".

US companies are also benefiting from a narrowing over the past two years of their cost of funds (both equity and debt) relative to Japanese and German rivals.

The beneficial effects of these financial trends have been reinforced by a widespread restruct-

uring of American industry, which has been going on for roughly a decade, prompted both by global competition and, during the bid boom of the 1980s, by the threat of being taken over.

The restructuring - which began in capital-intensive manufacturing companies most exposed to international trade, but is now spreading through service sectors such as banking and retailing - includes job and plant cuts, mergers and the adoption of new production and quality-control methods.

Many large US companies have begun adopting the Total Quality Management methods pioneered by Japanese industry, which involve a minute attention to quality and just-in-time manufacturing throughout the production process, a devolution of responsibility to workers, and an overriding concern for the needs of customers.

While such techniques can have a profound impact on performance - Xerox, the copier company, and Motorola, the chip and electronics business, are outstanding examples - they have yet to be adopted by most American companies and are no guarantee of success. IBM is one of the foremost advocates of TQM.

The US government has thrown its weight behind the quality movement with sponsorship of annual awards, and in a few cases has intervened more actively to help industry. Intel's Mr Barrett says the semiconductor trade pact of 1986 and 1991, which forced the Japanese to open their market to US products, has allowed chip manufacturers to boost sales to Japan by \$1m a year. Federal government sponsorship also helped set up Sematech, a research consortium which has helped US manufacturers pool information on chip production techniques.

The net effect of these initiatives is better labour productivity, which grew at a healthy 2.5 per cent in the 12 months to mid-1992. Says Mr Stephen Roach, senior economist at Morgan Stanley: "Once the global economy begins to move ahead, US companies will be the beneficiaries of a tremendous amount of corporate restructuring. The only glitch could be a dollar surge."

However, Mr Kent Hughes, president of the Council on Competitiveness, a study group backed by big business and labour, warns that "while we did a lot of fat-shedding in the 1980s, it's not clear we added as much muscle as we should have", investing in new plant and equipment.

The US has one of the lowest ratios of business investment to GDP among countries belonging to the Organisation for Economic Co-operation and Development. Non-military spending on research and development has also lagged behind some of its rivals.

Such findings have generated an intense argument as to whether the US system of capital allocation is inferior to that of Japan and Germany, with stock market pressures forcing American companies to concentrate on excessively short-term goals.

But the current high-technology fight-back suggests US self-criticism may be overdue. Mr Barrett, for example, reckons that capital spending by the US semiconductor industry will rise 12.5 per cent next year, compared with a 12.7 per cent drop in Japan. Intel plans to boost spending 33 per cent to \$1.6bn.

The only dinosaur-like element of that is its sheer size.

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Notice is hereby given that Hillsdown Holdings plc ("Hillsdown"), pursuant to Condition 14 of the Bonds, has agreed with Bankers Trust Company Limited, the trustee for the Bondholders (the "Trustee"), to certain amendments being made to the Terms and Conditions of the Bonds.

The following is a summary of such amendments, which are embodied in a Second Supplemental Trust Deed dated December 16, 1992 and effective as of December 20, 1992:-

- Hillsdown is granted, and will exercise as required by notice to the Trustee no later than 10.00am on December 21, 1992, an additional right to procure the purchase by a third party of all Bonds which would otherwise be redeemed by Hillsdown pursuant to the exercise by Bondholders of their option to redeem the Bonds on December 27, 1992 (the "First Option"). This purchase arrangement does not affect a holder's right to opt for conversion of its Bonds in lieu of redemption as set out in the Terms and Conditions of the Bonds. Payment in respect of such sale shall be made to Bondholders without them having to take any other action than is required in connection with the First Option.
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Bondholders should be advised that any holder wishing to exercise the Fourth or the Fifth Option will be required to deposit its Bonds with any of the Paying Agents listed below at any time in either case after 10.00am (London time) on December 21, 1992 and no later than 11.00am (London time) on December 29, 1992 together with a duly completed Option Notice which is available from the offices of any Paying Agent.

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Coleman Street  
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L-2338, Luxembourg Grand

Chase Manhattan Bank  
(Switzerland)  
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CH-1204 Geneva

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December 21, 1992





Graduation cap: John Patten has imposed a 13 per cent ceiling on the growth in student numbers over the next three years

## Competing answers to university challenge

Means-testing to control the cost of further education may be an alternative to ceilings on enrolment growth, says Andrew Adonis

For students and universities, the party is over and the hangover about to begin.

After seven years of uninterrupted growth in student numbers, the government is applying the brakes. Courses for 16 to 19-year-olds are now top priority for extra education spending, with further education colleges due to pass from local government to Whitehall control in April.

To contain higher education spending, Mr John Patten, education secretary, looks set to announce cuts in fees paid by the government for university courses. He has also imposed a 13 per cent ceiling on the growth in student numbers over the next three years.

Polytechnics achieved an increase in enrolments of that size last year alone, and few believe the government will be able to constrain growth for long. The question is not whether higher education will expand further, but what form the expansion will take and how it will be funded.

The form of expansion is now settled. Polytechnics have been permitted to call themselves universities, but the bottom four-fifths of the new "universities" will comprise teaching colleges in all but name. The Universities Funding Council's research assessment ratings, published last week, indicated that a majority of top-rated departments are in just 12 institutions. Research funding is to be concentrated on those, with teaching centred on the rest.

The question of funding is more problematic. A year or two from now, it will be one of the toughest education policy issues facing the politicians.

For a glimpse of the debate to come, a little noticed speech earlier this month by Mr Jeff Rooker, Labour's new higher education spokesman, is essential reading.

In an address to the Socialist Education Association, Mr Rooker raised the issue of means-testing the fees cur-

rently paid to universities by the government for all first-degree students, irrespective of parental income. He argued that it would be "totally unacceptable" for school leavers and mature students of entry standard to be denied the chance to continue their studies because of government-imposed ceilings on numbers. Then came the punch line: "Social equity demands that we look to all possible sources of revenue from those who can afford to pay... The issue of a contribution from the wealthy [must] be considered."

For all politicians, Labour as much as Tory, the public spending implications of the explosion in numbers are beginning to sink in. The figures are stark. In the early 1980s, the UK had barely 100,000 full-time students in higher education. By 1987 the number was 549,000; now it is about 775,000. Vice-chancellors believe that Mr Patten's 13 per cent increase may be illusory, being largely absorbed as the current intake of students passes through the system.

Given the numbers, the government's fees bill would have rocketed in any event. But it has been artificially increased by a decision in the late 1980s to shift higher education funding from grants paid to institutions to fees following students.

The aim was to encourage institutions to take more students at marginal cost, and to create a market environment in which universities would sell themselves better. It succeeded beyond almost everyone's expectations. The cost was enormous. In 1979 the govern-

ment's annual fees bill was £238.7m; by 1986 it had risen to £290.7m; last year it was £289m. Since almost everyone - particularly the government - agrees that the bill cannot go on rising at that rate, there are only two options: capping student numbers or means-testing fees. (Universities could be more efficient, of course. But lecturer-to-student ratios are already at 1:20 or worse in many institutions.)

For the moment, Mr Patten is taking the first option and capping numbers. Labour is hovering at the entrance to the second.

Mr Rooker insists that his speech was no more than the design for a kite. But should the kite fly, the impact on the middle classes would be profound. Annual fees for undergraduate courses currently range from £1,855 to nearly £5,000, depending on the subject. Living costs come on top, allowances for which are being progressively shifted from grants to loans.

The maintenance grant is fixed at a maximum of £2,265, but even that is means-tested. Withdrawal starts if combined parental income reaches a mere £13,630. Fewer than a third of students now receive the full grant. If the regime for maintenance grants were extended to tuition fees, a typical university would become as expensive as Eton for students from better-off families.

Ironically, the means-testing option has impeccable Tory credentials. Sir Keith (now Lord) Joseph toyed with it when he was education secretary in the mid-1980s, but drew back amid protests from the Tory shires. As a next best, Mr Robert Jackson, higher educa-

### Full-time student enrolments

England: first degrees courses; polytechnics and universities	
1982	325,000
1983	329,000
1984	330,000
1985	332,000
1986	339,000
1987	348,000
1988	363,000
1989	388,000
1990	428,000

Source: Department of Education

tion minister in the late 1980s, urged vice-chancellors to consider additional fees to be paid directly by students. They declined to do so, though many were attracted to the idea.

Mindful of the electoral consequences, the government finally gave up the quest last year. Its 1991 Higher Education White Paper stated: "Public funds will remain the main source of income for funding the projected expansion of student numbers."

It might seem odd, then, that Labour is picking up the means-testing baton. In fact, the Tories' decision to drop it gives them a golden opportunity. After its bloody nose at the last election, Labour's leadership is more concerned than ever at the tax implications of massive public spending commitments, and higher education is prominent among them.

Labour can also point to the rest of Europe and the US, where the charging of fees is standard practice. A Mori poll conducted earlier this year showed a majority of those with incomes over £15,000 a year were prepared to pay tuition fees, to the average tune of £1,000 a year.

Moreover, the Tories abandoned attempts to make students and their parents pay fees for the very reason that makes the idea potentially tolerable to Labour: it means taxing the Tories' natural constituency. Mr Rooker is impressed by a research paper published recently by the National Commission on Education, showing that in relative terms, over the past 30 years the proportions entering higher education from manual working class families has scarcely shifted by comparison with those from professional and managerial families.

"This is cold comfort for those who seek the 'classless society'", concluded the paper. Maybe. But it might enable Labour to turn the tables on a government ransacking on commitments to open higher education to all able to make the grade.

## OBSERVER

### Return of the Lynch mob

Remember Gerry Tsai? In his hey-day as a go-go stock picker for Fidelity, America's biggest mutual fund manager, Tsai's reputation was just as big as that of Peter Lynch, the legendary Fidelity fund manager who has just announced a comeback.

But whereas Tsai went on to the real business world, running American Can and its successor Primerica, Lynch is sticking to what he knows best. Less than three years after he gave up, Lynch is returning to his old firm on a part-time basis.

Lynch's recall is bound to raise eyebrows on Wall Street. Since he quit managing Fidelity's \$21bn flagship Magellan fund, it has failed to match the spectacular performance it recorded during his 13-year stewardship. The job of running the biggest US mutual fund has already burnt out one of Lynch's successors. Has Lynch been recalled to keep an eye on Magellan and prevent its small investors from deserting?

Not so, says Fidelity, which insists that Lynch is not returning to active stock-picking. He has been acting as a "mentor and educator" at Fidelity on an informal basis for some time and now will get paid for "Peter Lynch's next generation of Fidelity fund managers," says Fidelity rather illegally.

### Slowing down

John Ashcroft, former Guardian young businessman of the year and ex-boss of the overacquisitive Coloroll which collapsed in 1990, is again trying to grow a business at breakneck speed.

Rapid growth imposes its own strains: some suppliers to the new venture, an outdoor clothing company, appropriately called Survival Aids, have been grumbling about being kept waiting for their money. Ashcroft bought the company in early 1991, installed himself as managing director, and planned to double or triple the company's annual turnover - then \$4.5m - within five years.

It sounds like Survival Aids' expansion has been going according to plan. Since Ashcroft arrived its retail branch network - it also has a sizeable mail order trade - has grown from three shops, plus a kiosk at Alderhot, to 14 stores spread from Glasgow to Bristol. It has opened three new shops this autumn alone.

Ebullient as ever, Ashcroft says that his business is "going pretty well really". He declines to talk publicly about the mutterings of discontent from some suppliers. But he indicated that Survival Aids is now entering a period of consolidation. "We'll catch up with ourselves now, in the next 12 months", he promises.

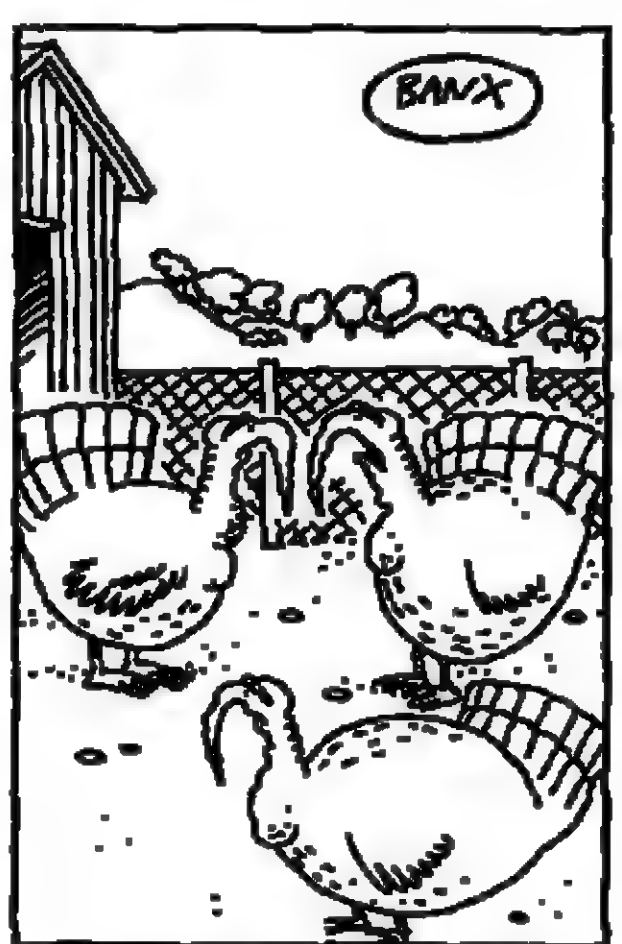
### Showdown

Now for the showdown on last Monday's quiz about gunfighters of the old American West. The questions, and answers, were:

1. Name the magnificent seven. Chris (played by Yul Brynner), Vin (Steve McQueen), O'Reilly (Charles Bronson), Lee (Robert Vaughn), Britt (James Coburn), Harry Luck (Brad Dexter) and Chico (Horst Buchholz).

2. Which western gunfighter became sports editor of the New York Morning Telegraph? Bat Masterson.

3. Which was married to Mrs Thatcher? Wild Bill Hickok. She was Mrs Agnes Lake.



'At least we're in work'

Thatcher of the family that ran the Lake Circus troupe.

4. Which rival did he dispose of and so win her affections? A circus lion which attacked her in the ring.

Although nobody produced a perfect entry, the bottle of milk goes to Frank Haigh of Ottawa who came nearest.

Besides getting the first three right, he answered the fourth with: "Ruffians at her circus".

### Polish vote trick

If Poland's parliamentarians start smuggling bricks into their sessions, it won't necessarily be to throw them at opponents. The reason will more probably be a mini-scandal aroused when national television showed deputies voting for absent neighbours in a critical budget debate.

It was apparently far from the first such occurrence. Bored members find it easy to slip away. All they need do is leave their voting card with a more diligent colleague, who sticks it into the slot in the absentee's seat at the right moment, and presses the appropriate button.

Since a spate of "two-handed voting" saw the government lose by three on its proposals for pensions cuts, it has sought to restate the vote. In the meantime, parliament's chairman, Wieslaw Chrzanowski, has been criticising the TV cameras for giving the wrong impression, while President Lech Walesa has been praising them for exposing what was afoot.

Short of going back to counting each vote manually, preventing the practice is a problem. One proposal - to fix the computer to register a vote only if the relevant seat was occupied - seemed promising until someone objected that deputies could bring in bricks to weigh down neighbours' seats. The ultimate solution, perhaps, would be voting buttons that identified and responded solely to the correct fingerprints.

### Kennel talk

This Christmas why not splurge \$3,800 on the dog that has everything and buy Rover its very own copy of "The European market for pet food and pet care products".

The good news in the Frost and Sullivan report is that pets should get more to eat - the market is set to grow from \$10.5bn to \$11.6bn by 1996. The bad news is that the number of dogs is forecast to decline. That's not what they want to hear at the kennels. Perhaps it would be better to save this type of negative talk till after Christmas.

### Assumptions

What are the four ways by which an economist can lose his reputation? Gambling is the quickest, women the most pleasurable, and drink the slowest. But forecasting is the surest.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL  
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Well served in Moscow

From Mr Mark I Wolk.

Sir, My wife and I were guests at the Aerostar Hotel in Moscow in March this year. We were most impressed with the facilities and services and found them to be a fine oasis from the rigours of very long and tiring days of fact-finding. There were a few rough spots, but not nearly enough to warrant the most negative coverage you gave them in your article, "Tempo changes at heartbreak hotel" (December 7), which unfortunately would discourage others from availing themselves of this good and reasonably priced hotel in the troubled capital of Russia. Mark I Wolk, 500 Century Building, 130 Seventh Street, Pittsburgh Pa 15222-3461

### Positive outcomes suggested by record of new Russian premier

From Mr Jonathan P Stern.

Sir, Your editorial of December 15 ("Departure of a reformer"), contains an important omission about the new Russian prime minister. As minister for the gas industry, Mr Chernomyrdin may be "associated with the failures of the last Soviet regime", but he was one of that regime's few industrial success stories. That is arguably why Mr Chernomyrdin has been singled out for this very difficult position. It is somewhat unfair of Leyla Boulton ("New man at top sweeps into office with an old broom", December 15) to say that Mr Chernomyrdin has failed to turn around the fortunes of the oil industry since he was made deputy prime minister responsible for fuels

and energy last April. Macroeconomic and political confusion would have made this a difficult task for anybody in his position to achieve within one year.

You may be right that Mr Chernomyrdin does not know "how to transform Russia into a working, let alone a successful, market economy", but then who does? The immediate issue is whether the new prime minister will set his face against market-oriented reforms or whether he will continue them at a slower pace.

Meanwhile we should be aware of two politically positive outcomes of his appointment. First, Russia has a prime minister who has a track record of some economic and political success (albeit within

the framework of a centrally planned economy). Second, the new prime minister has a detailed knowledge of the oil and gas sectors, which are likely to be extremely important for both the domestic economy and for foreign trade. Indeed, these sectors could be the key to Russia's economic recovery.

A prime minister who could turn oil production (and exports) around and guarantee the continued flow of Russian gas to Europe would help boost western business confidence, even if he proves to be a less politically and intellectually attractive than Mr Yedior Gaidar, his predecessor. Jonathan P Stern, 99 Erlanger Road, London SE14

### Drafting of multilateral trade organisation is unacceptable

From Myriam Vander Stichele and Michael Windfuhr.

Sir, You rightly draw attention to the problems arising from the creation of a new multilateral trade body - MTO - in the Uruguay Round ("US poses new Gatt quandary", December 15). An article of December 16 ("Round and round go the Uruguay trade reform negotiators") mentions in contradictory way the US worries about the status of the

MTO and its rules, which should curtail US unilateral actions.

You do not mention, however, concerns recently expressed by more than 150 organisations from more than 30 developing and industrialised countries dealing not only with the environment but also with development.

They fear that the MTO, which would be outside the United Nations system, and

would collaborate with the International Monetary Fund and the World Bank, would further concentrate international economic decision making in the economically powerful industrialised countries. Developing countries and their populations would be excluded.

The MTO would be the forum for future negotiations with no equitable decision-making process. It would be an end to any attempt to create an

international trade organisation which takes a more integrated approach to trade policy and rules. An MTO as currently drafted is unacceptable. Myriam Vander Stichele, International Coalition for Development Action, 115 Rue Stevin, B-1040 Brussels.

Michael Windfuhr, Riemannstrasse 2, D-5300 Bonn 1

### Holding companies likely to be penalised by VAT ruling

From Mr Richard Watson.

Sir, Your readers are already aware of the new value added tax burdens on large companies which will begin on January 1. They will also know that monthly payments of VAT for large companies began in October. I wonder, however, if they have yet realised that every holding company is due to be further penalised from March 1. Customs and Excise has achieved this hat trick by taking a European Court of Justice ruling on a Dutch holding company (Polysar Investments Netherlands BV) and developing the thinking to justify an approach it last tried in 1987.

Polysar was a Dutch inter-

mediate holding company, of a type often used, quite legitimately, in direct tax planning. The Court held that the basic activities of such a holding company did not constitute an economic activity and, therefore, it was not entitled to a refund of VAT on costs.

Customs has ended this doctrine to all holding companies and has ruled that, from March 1, VAT on costs incurred by holding companies on basic activities, such as acquiring subsidiaries and mounting or defending takeover bids, will cease to be deductible.

By applying this judgment to British holding companies of a quite different type, Customs seems to be extending the

Court's judgment far beyond its limits.

For example, the Court commented that its ruling would have been different had Polysar been involved in managing its subsidiaries. This could be taken to imply that input tax recovery on Polysar's basic functions would have been allowed under these circumstances.

Above all, however, the differences between the activities of a Dutch investment holding company and a typical UK holding company are so great that the judgment cannot simply be transferred intact.

VAT is a tax on consumption - not a tax on business costs. By taking this action, Customs

is placing a new and very real burden on business at a time when so many other burdens are being introduced.

To add insult to injury, the change was announced by press notice and apparently requires no change in the law.

Price Waterhouse will continue to add its weight to the representations against this charge. This is a further unnecessary setback to UK business recovery and yet another example of an increasingly alarming trend to legislate by press release.

Richard Watson, Price Waterhouse, New City Court, 20 St Thomas Street, London SE1 9RP

SINGLE HIGHLAND MALT SCOTCH WHISKY.

# GLENMORANGIE

GEORGE THOMSON, Assistant Manager.

A MILE FROM THE DISTILLERY, up a lane and along a path past a woodsman's cottage, lies the tree-fringed pool that supplies Glenmorangie's water. Here George Thomson, a contemplative man, walks in all weathers to observe the level of the water which comes welling up in lazy bubbles as it puffed by a spirit below.

This water, mineral rich, purified by limestone in cool tricklings underground, derives from rain that fell at least two generations and possibly two centuries ago. George enjoys this sense of antiquity. "If we bottled the water, we could probably sell it at Christie's," he chuckles. "But it's far too valuable for that."

HANDCRAFTED BY THE SIXTEEN MEN OF TAIN.







# FINANCIAL TIMES COMPANIES & MARKETS

Monday December 21 1992

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## INSIDE

### Welsh Water acts before Ofwat review

Last week's sale by Welsh Water of its 14.9 per cent stake in South Wales Electricity is a mark of how serious the company has become about putting its house in order ahead of the 1994-95 review by Ofwat, the regulatory authority which will decide pricing levels until the end of the decade. The move should blunt criticism of Welsh's diversification policy. **Page 16**

### Minebea smells a loss

Minebea, the world's leading maker of miniature bearings and one of Japan's post-war industrial success stories, appeared to be an endearing maverick for which nothing could go wrong, not its sudden move into selling cosmetics door-to-door nor even an excursion into Canadian pig farming. However, "Minebea calling" never quite became a household phrase and the Canadian pig farmers found themselves knee-deep in losses. **Page 17**

### Inflation hopes soften gilt yields

Gilt yields fell slightly as practitioners weighed signs about inflation trends with implications of the large volume of gilt issuance expected in the next year. Statistics last week gave few clues about the degree to which Britain is emerging from recession, and there are few unambiguous signs of an upturn. **Page 18**

### Complaints over Eurobonds

Plenty of institutional investors complain about poor liquidity in the secondary market for Eurobonds, but marketmakers tend to play down investors' complaints. **Page 19**

### CU revises pay-out policy

Commercial Union, the UK composite insurer, is to cut pay-outs on with-profit life policies. However, it will maintain annual bonuses on the policies, in a move which goes against the declared intentions of many rivals. **Page 16**

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## Nedlloyd board calls for Hagen to quit

By Ron van de Krol  
in Amsterdam

NEDLLOYD, the Netherlands' largest transport group, and its dissident shareholder Mr Thorsten Hagen, appear poised for another protracted battle.

The company's supervisory board has called for Mr Hagen to vacate his seat on it immediately.

The highly unusual demand was a direct and swift response to the Norwegian investor's public request last week for an extraordinary shareholder meeting to consider radical changes in the way the super-

visory board is elected. Mr Hagen was reluctantly admitted to the supervisory board earlier this year after a long and celebrated dispute.

Nedlloyd said Mr Hagen's call for the extraordinary shareholder meeting violated promises he made to support the board and to uphold its strategy for turning around the loss-making company.

Mr Hagen, who controls 25 per cent of Nedlloyd through shares and options, was unavailable for comment on his next move.

Under Dutch law, his fellow board members can suspend him from his duties, but

any dismissal will have to be sought through the courts, a procedure that would take months and would help to fan the animosity between the two sides.

Ironically, the supervisory board had been forced to go to court earlier this year to get Mr Hagen admitted to the board in the first place after the company's works council tried to block his appointment.

Nedlloyd and Mr Hagen have clashed repeatedly over his arguments that the company should pursue a policy of rapid and heavy divestments.

The latest dispute between Nedlloyd and

Mr Hagen was sparked by the Norwegian investor's surprise call last week for an extraordinary shareholder meeting to discuss far-reaching changes in the company's articles of association and the dismantling of various anti-takeover defences.

His main target was the supervisory board itself, which he describes as an entrenched body and which he argues should be elected by shareholders.

The board said it will respond to Mr Hagen's request for an extraordinary shareholders meeting in the first half of January.

## Andrew Bolger on how the group has allowed itself to become a takeover prospect Lucas engineers defence against short-term views

LUCAS, one of the UK's biggest and most technologically successful engineering companies, is on full bid alert.

The Midlands-based group is the City's favourite candidate for takeover, now recession has slashed its profits and a long-planned succession of senior management has collapsed.

Lucas shares touched a five-year low of 75p in September, valuing the group at a mere £500m - less than half its pre-recession peak in 1989.

They have since recovered to 130p, fuelled mainly by speculation that the group is vulnerable to predators such as BTR, the acquisitive industrial conglomerate which last year snapped up the recession-struck Hawker Siddeley, another famous name in British engineering.

Sir Anthony Gill, Lucas's 62-year-old chairman and chief executive, is philosophical about the prospect of a bid, but unapologetic about the group's record: "People who own us have that decision to make, if it is presented to them."

"I hope that they will decide to keep us independent."

To retain that independence, Lucas, already advised by Schroders, recently advised the US investment bank Goldman Sachs to its team.

The core of its strategy will be a defence of the group's long-term record of investment, which it says has put it in the world's top three suppliers for its chosen sectors of automotive and aerospace components, such as braking and diesel fuel injection systems.

Sir Anthony says: "There isn't another company quite like us in the UK - our competitors are in Japan and Germany. Getting the long-term things right makes the difference between whether the

company does well or not. We do have the problem - which I'm not trying to whinge about - that we are judged by short-term standards."

"One year's pre-tax profits figure - that's at the margin of what we are doing."

The chairman points to Lucas's consistent record of growth in profits, earnings, and dividends until the present recession started: "There's no reason why we can't get back to the sort of margins we were making then."

He adds: "In the first and second years of the recession our sales went up, when other people's went down, and our profits were lower than other people's."

"The main reason was that we went on with engineering expenditure to take market share and win new contracts, some of which we haven't got income from yet. We could easily have battered down the hatches, not gone for new business, sacked our engineers - we didn't do that."

"We don't regret not doing that."

Sir Anthony was determined not to repeat the mistake which Lucas made during the last recession at the beginning of the 1980s, when it cut research and development spending - and lost market share to Bosch in two crucial product areas, anti-lock braking systems and petrol fuel injection systems, in which the German group is now world leader.

He says: "Although we are now at least the equal to Bosch in technology, we have a smaller market share. We see the present recession within that context: it is a challenge to continue to manage our resources of people and cash for the future, but resist cutting back where that would mortgage our future."

Lucas has been reducing costs. In October the group said it had started a three-year restructuring programme to shed 4,000 jobs, half of them in the UK, to bring the workforce below 50,000, compared with more than 57,000 two years ago.

Although Sir Anthony says this is strategic reshaping, analysts disagree, and accuse him of being slower to respond to the downturn than rivals such as GKN, BBA and T&N.

In a curious contrast to Sir Anthony's emphasis on the company's investment record, Lucas also says recent high levels of R&D - about £100m annually over the last three years - and capital spending at twice the rate of depreciation, are both set to fall, as programmes are completed.

The group's main area of vulnerability, though, is its failure to manage the succession to Sir Anthony.

He had been due to retire this year, but has now agreed to remain as chief executive for another year and as chairman until 1994.

In February, Mr Tony Edwards, head of the aerospace division, was made chief executive designate.

In March Mr David Hankinson, then finance director who had been considered for the top job, left with compensation of £32,000 to give Mr Edwards a clear run in his new role.

In August Mr Edwards was told the board did not consider him to be suitable for the top post as chairman. In October he moved to rival TVI Group.

Lucas last month appointed Mr Frank Turner, from Rolls-Royce, to head its aerospace group - but it has gone back to the drawing board in the search for both chief executive and chairman.

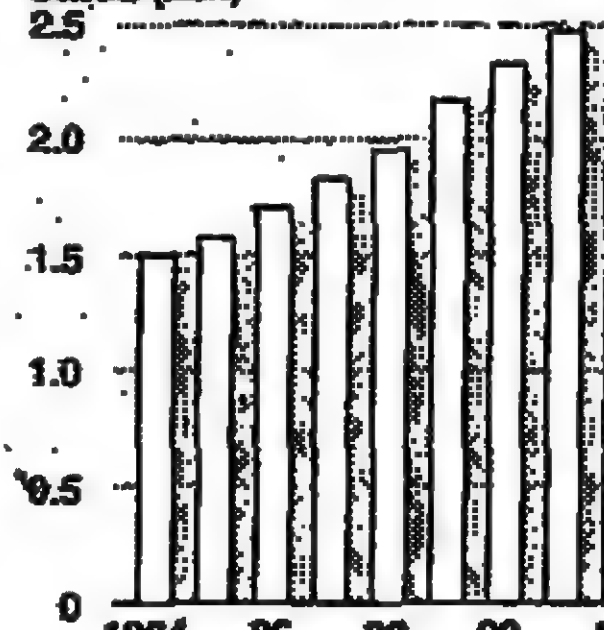
Sir Anthony denies any reluctance to hand over the reins of the group he has dominated for years.

### Lucas Industries at bay



Sir Anthony Gill  
Chairman & Chief Executive

Sales (£bn)



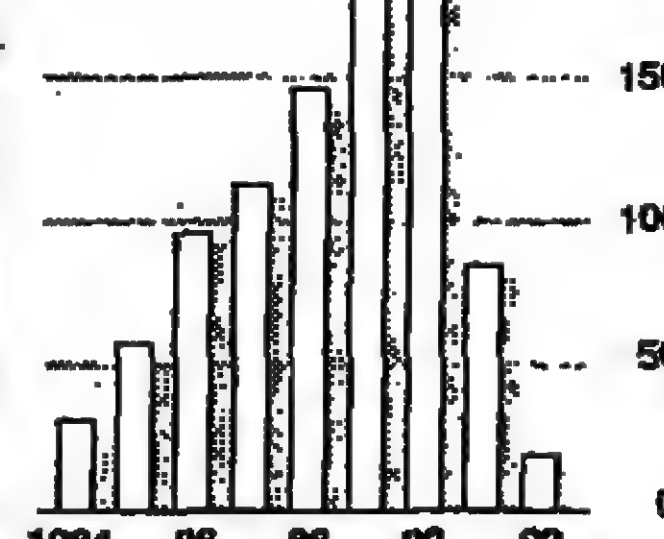
Source: FT Graphics & Company report

Share price (pence)



1992

Pre-tax profits (£m)



Source: FT Graphics & Company report

tance to hand over the reins of the group he has dominated for years.

"Just ask my wife about that," he says grimly, explaining that he had promised her he would retire this year.

While he remains in his job, he is haunted by the example of Hawker Siddeley, which last autumn depressed the market with a gloomy trading statement. The next day BTR pounced.

With that example in mind, Lucas was careful to accentuate the positive when announcing its annual results in October. It dipped into reserves to keep a 7p total dividend, and expects to generate enough profits in the year to July 31 to cover a maintained pay-out of £50m. Analysts

are sceptical, given that the group has said the first half is likely to be flat. However, the group is confident that it will achieve its target of £100m from disposals in the current year.

Sir Anthony had a personal interest in the fate of Hawker, in the shape of Mr Alan Watkins, who joined it as chief executive from Lucas two years before BTR's bid. He said: "Poor Alan Watkins took a bit of the Lucas culture with him. The market is very, very impatient and when they did not see enough happening, they persecuted him and did not give him the benefit of the doubt. I hope they would give us the benefit of the doubt, because what we are doing is consistent with what we said we would do."

Mr Simons, who is 45, is likely to receive a contract with a substantial success-related element, perhaps tied to any exit given to banks and shareholders such as an eventual flotation.

Storehouse, the retail group where Mr Simons has been finance director since May last year, will release him from a commitment to stay until March.

He will join Isosceles, with effect from January 1, replacing Mr Alistair Mitchell-Innes, who may stay on the board until March, having already announced his intention to leave.

Mr Simons is expected to spend most time at Gateway's Bristol headquarters, and to move the Isosceles head office to Bristol.

## Exchanges spurn much-vaunted Maastricht rules

tainty ahead of the March national assembly elections. They believe, probably wrongly, that the D-Mark is a more credible currency than the franc because it has never devalued.

But the French franc's problems should also be telling the EC's policy makers that the Maastricht convergence criteria are too crude a yardstick if the ERM is to continue to act as a guide path to ERM.

Because of events since September, some EC monetary

At the micro-economic end of the spectrum are the different national techniques of monetary policy and monetary policy instruments, where the recent experiences of France and the UK point to future problems on the way to ERM.

One reason France has been able to fend off the speculators has been the ability of the Bank of France to defend the franc with high interest rates while sheltering its domestic economy from the effects of such measures.

### Economics Notebook By Peter Norman

experts believe convergence should be considered over a far wider spectrum of economic activity than laid down in the Maastricht Treaty.

Largely ignored so far, is the very wide gulf that exists between economic interests and aspirations of the low-inflation countries grouped around Germany and the EC's poorer peripheral nations such as Spain, Portugal, Greece, Ireland and, it must be said, Britain.

The former group increasingly are "rentier" societies with financial assets spread widely through the population and an interest in preserving the value of those assets through price stability. For the other group, a main attraction of EC membership should be the opportunity of faster growth: an opportunity that has been frustrated by high German interest rates over the past year.

In September, when the franc was under its heaviest selling pressure, the Bank of France made sure it supplied sufficient liquidity in its money market operations for normal domestic needs at the intervention rate of 9.50 per cent. But it pushed up its emergency rate at which it lends against collateral for five to 10 days to 13 per cent from 10.5 per cent.

This move to make speculation against the franc more expensive was reinforced by a particularly fastidious choice of the securities that banks could offer for francs in the repurchase arrangements. Many speculators wanting francs to sell were therefore forced on to the domestic money market, where rates rose to more than 30 per cent. During this period the banks were able to hold their rates stable for their domestic clients.

Such an approach was impossible for the UK authorities in September. The government floated the pound on Black Wednesday when it became clear that the announcement of 15 per cent base rates had failed to stop the selling of sterling. It knew that the high interest rate would have been passed on almost immediately by banks and building societies to their customers.

The UK has a banking system that is far more market-oriented than some on the continent. UK banks pay market or near market rates on the great bulk of their liabilities. They no longer have a significant income endowment from non-interest bearing current accounts. As a result, Bank of England actions in the money market are almost immediately reflected in the UK banks' interest rate structure.

France's recent experience has shown that fulfilling the Maastricht criteria is no safeguard against speculative attack. If Britain were to rejoin the ERM with the Maastricht criteria fulfilled, it would, in conditions such as the past three months, presumably have a difficult struggle to maintain sterling's parity. The UK's money market structure and system of interest rate determination would make it less likely that the UK could win that battle than France so far this year.

So long as the ERM retains its present characteristics, eventual UK re-entry would therefore seem to involve an unpalatable choice. Either Britain would have to accept that sterling was more vulnerable than other currencies because of its financial system. Or it would have to change that system, even though it has evolved to suit the needs of the UK economy.

These are big issues and they throw yet another question mark against the EC's goal of moving rapidly to ERM by 1999 at the latest.

## Honda and Isuzu to sell each other's vehicles

By Steven Butler in Tokyo

HONDA Motor and Isuzu Motor, the Japanese car-makers, have agreed to sell each other's vehicles following Isuzu's decision last week to halt production of passenger cars.

The agreement marks another step in the consolidation of the Japanese car industry, which is struggling under a burden of vast excess production capacity.

Under the agreement, dealers of each company will be able to offer a broader range of vehicles to their customers, while providing expanded sales outlets for each company.

The agreement also remedies an important strategic weakness of Honda, which had nothing to offer in the area of recreational vehicles, one of the few growing areas of the car market in North America.

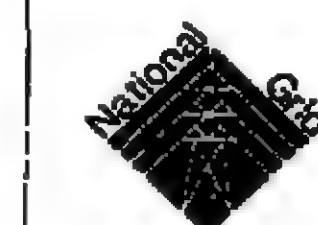
Honda is to sell the Isuzu Rodeo, a recreational vehicle, under its own label in North America. Honda has long talked about offering recreational vehicles to its customers, but balked at the cost and time needed to develop a suitable product in an area where it had no experience.

The vehicles are produced in Indiana, in the US.

Isuzu, for its part, will begin to market Honda's small passenger cars under its own label in Japan as it phases out production of its own cars. Isuzu will also halt the supply of small cars to General Motors, which owns a 37 per cent stake in the company.

Isuzu has operated in the red for the past two years.

This announcement appears to be a matter of record only



### The National Grid Company plc

Barclays de Zoete Wadd was lead manager in the issue of £200,000,000 7 3/8 per cent bonds due 1998

DECEMBER 1992



### European Investment Bank

Barclays de Zoete Wadd was lead manager in the issue of £200,000,000 7 per cent notes due 1998

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## COMPANIES AND FINANCE

## City welcomes electricity sale

Welsh Water can now change its direction, writes Angus Foster

LAST week's sale by Welsh Water of its 14.9 per cent stake in South Wales Electricity is a mark of how serious the company has become about putting its house in order ahead of the 1994-95 review by Ofwat, the regulatory authority, which will decide pricing levels until the end of the decade.

The move should blunt criticism of Welsh's ambitious diversification policy. It follows a decision in June to voluntarily give up some price increases, ahead of other water companies, and silence critics of its profit levels.

The electricity stake was always controversial, even though Welsh made more than £17m profit on the investment. Mr John Elfed Jones, chairman, claimed the two utilities could make savings by combining functions like billing and information technology. Unfortunately, in the narrow world of Welsh business, the aggressive style in which the stake was taken led South Wales to treat it as hostile and reject all advances on co-operation.

Welsh's decision to sell was welcomed in the City, which feared the company's expansion plans could lead to conflict with Ofwat. "It shows it is possible to admit you've got something wrong and get out with credit," according to Mr Robert Miller-Bakewell, analyst at County NatWest.

The sale clears the way for Welsh to change direction on its unregulated business. Mr Jones steps down as chairman in April and strategy will be led by his successor, Mr Iain Evans, and group managing



John Elfed Jones: faced rejection from electricity company of all advances on co-operation after aggressive style of acquisition

director Mr Graham Hawker.

Welsh's unregulated business, which includes engineering consultant Wallace Evans, hotel and leisure group Hamdden and an "enterprise" company with pipeline and waste contracting, will probably become lower key. Plans to develop Hamdden are likely to remain on hold. Some analysts believe Welsh would sell the division if hotel prices had not fallen so much.

This will leave Welsh to concentrate on its core, regulated business ahead of Ofwat's review and gradually develop its enterprise businesses, most of which were spun out of the core following privatisation and are lower risk.

According to Mr Hawker: "We intend to give our non-reg-

ulated businesses more focus, and only in areas where our core skills are relevant".

Most analysts agree that because Welsh's capital investment targets were less onerous than others, its price rises agreed at privatisation were generous. Its post-1995 price increases, initially set at 5 per cent above inflation, look vulnerable to regulatory review.

The electricity sale, and the voluntary abatement of some price increases earlier this year, will go some way towards improving Welsh's regulatory image. "This reduces the chances of them being harshly treated at the review, although they are not totally out of the woods," one analyst said.

The sale may also mark a watershed for the water sector

generally. Because the regulated environment is expected to become tougher following Ofwat's review, companies argue that unregulated businesses will become more important as a source of profits to maintain dividend growth.

Welsh's expansion outside water-related fields was the most high profile, but few other water companies have been successful developing non-core businesses.

Some, such as Southern Water, are making profits from businesses like pipe-laying which have been transferred out of the core. But others, Severn Trent among them, which expanded more aggressively have yet to make money. Severn Trent last year paid £212m for Biffa, involved in waste management, and which is expected to make operating profits of about £12m this year, compared to interest costs of £25m.

Main problem with Biffa, and engineering ventures made by other companies, is the recession. Welsh regularly complained that some of its enterprise businesses were at the start up stage and during recession should not be expected to make money.

Because of the pressure to maintain dividend growth, water companies will continue to try and develop unregulated businesses, even moving into unrelated fields. However, following Welsh's tactical withdrawal, companies are unlikely to make high-profile acquisitions to diversify ahead of the 1994 review.

## RJB plans flotation for greater flexibility

By Maggie Urry

RJB Mining, the open-cast coal mining group, plans a flotation next year with a value at over £100m. It has appointed Barclays de Zoete Wedd as financial advisers, and BZW's broking arm de Zoete & Bevan as broker to the issue.

The aim of the float is greater financial flexibility, enabling, for example, a bid for parts of British Coal. A bid could be made for some of the 31 collieries whose review is currently being reviewed by a Commons select committee.

Mr Richard Budge, chief executive, said it "will provide us with additional funding flexibility as we look for further expansion opportunities". These could stem from the coming liberalisation in the coal industry. In the past Mr Budge said he could run British Coal's pits more cheaply, cutting 20 per cent from costs.

In 1991 RJB made turnover of £76m and operating profits of £15m. Its operations, which began in 1974, are entirely in the UK. It runs 11 open-cast and one deep mine. It is also involved in private mining under licence and in all has interests in about 2m tonnes of coal reserves. Its other operations include coal washing and land reclamation.

RJB was the subject of a £106.5m management buy-out in February from AF Budge, the private construction company headed by Mr Tony Budge, the brother of Richard. AF Budge went into receivership earlier this month.

The mbo was financed with £45m of equity from a consortium including Schroder Ventures, Midland Montagu Ventures, Charterhouse Development Capital and Prudential Venture Managers. Some of the equity investors are expected to stay with RJB after the float. Mr Richard Budge and the senior management are also shareholders.

Trading starts today in the shares of International Food Machinery which has joined the official list through a £3.9m placing at 51p a share. IFM trades in used food processing machinery mainly for the meat and bakery trades. The money is to purchase JH Food Machinery, which specialises in fish processing machinery, and to restructure working capital. IFM's market value is £8m.

## CU decides to cut pay-outs on with-profit life policies

By John Authors

COMMERCIAL Union, the composite insurer, is to cut pay-outs on with-profit life policies.

However, it will maintain annual bonuses on the policies, in a move which goes against the declared intentions of many of its rivals.

Actuaries for several large life insurers, including Standard Life and Norwich Union, had made it clear that cuts in annual or reversionary bonuses, which are declared each year and then cannot be taken away, could be necessary

this year. This follows several years of indifferent investment returns compared to those achieved in the mid-1980s.

But CU, the first life office to announce its bonuses for 1993, may have damaged what appeared to be a comfortable industry consensus. This should allow it to maintain a high position in competitive league tables of with-profits performance, which is vital for distributing through independent brokers.

However, CU has also cut the amount it pays in "terminal bonus" which is added at the

end of a policy. This means that total pay-outs on a typical policy will drop by around 4 per cent - still less than some observers have predicted.

It is also cutting the interim reversionary bonus, applicable for those who die during the next year, from 5 per cent of the underlying sum assured to 4.5 per cent.

The company admits that this indicates that bonuses can be expected to fall next year. CU says that it may be drawing slightly on the reserves of its life fund to pay the bonus.

## Driving force behind mergers

INDUSTRY restructuring remains an important driving force behind many international mergers and acquisitions, writes Brian Bollen.

British Airways furthered its ambitions to be a truly global airline by winning with its bid for a 25 per cent stake in Australia's Qantas.

Italian flag carrier Italia is joining in the trend for airlines to strike alliances by taking a 30 per cent stake in Malev, Hungary's national carrier.

In the financial services sector, Arthur Andersen, the international accountancy firm, announced an affiliation agreement with Asahi Shinwa of Japan, paving the way for a

full merger.

Hafnia, the troubled Danish insurance company, started its planned series of disposals with the sale of Prolific, its UK life insurance subsidiary, to Scottish Provident.

Fisons, the UK pharmaceuticals and scientific group, continued with its restructuring by selling its UK consumer healthcare business to Hoffmann-La Roche of Switzerland. The demand for a stake in the over-the-counter market was reflected in the generous price paid.

Tesco's acquisition of the Cateau supermarket chain in France, giving it a toe-hold in Europe, is being taken as an indication that the major UK

retailers will expand into Europe as their home market becomes saturated.

Tesco said Cateau represented an excellent opportunity to acquire a French retailer in the same sector as its own core business, and that the combination of existing management's local experience and Tesco's expertise will further enhance Cateau's growth prospects.

The third round of bidding in the privatisation of Argentina's gas industry saw British Gas double the size of its global gas division as the consortium it led won the auction for Distribuidora de Gas Metropolitana, the country's largest gas distributor.

## Baldwin makes offer for the balance of Simpsons

By Tim Burt

BALDWIN, the group whose activities cover holidays, printing and property, has announced an unconditional offer to buy any remaining shares in Simpsons of Cornhill, owner of the City chop house in which it recently acquired majority control.

The paper offer of one Baldwin share for every two Simpsons values the restaurant company at £1.68m, or 37p per share. When the company was floated on the USM last year investors paid 50p per share.

Since the bid was first announced last month holders

of 62.8 per cent of the ordinary and 450,000 of the 'A' shares, or 75 per cent, have accepted.

The latest move could signal the end of any remaining resistance to the offer from the rebel group which earlier this year tried to oust the Simpsons board.

The directors expect, through the enlarged group, to be allowed to expand the restaurants business in London and the south east.

In addition to Simpsons and the Jamaica Inn in the City, the company also owns two central London bistros and has management contracts to operate other eateries such as the Gay Hussar.

## Thai Airways bond issue to purchase new aircraft

By Victor Mallet

THAI Airways International intends to issue Y20bn (£106.8m) of Samual bonds in 1993 or early 1994 and to seek \$144m (£94.7m) in loan guarantees from the US Eximbank to finance the purchase of new aircraft, the company said.

According to Thai's firm order delivery plan, four new aircraft are due to be delivered in calendar 1993 - two Airbus A300-600R, one Boeing 747-400 and one Boeing 737-400.

A total of 25 new aircraft with firm orders are scheduled for delivery before the end of 1997.

Thai said its investment budget for the current fiscal year, ending September 30 1993 was Bt10bn, only a third of last year's figure.

Since the civilian government wrested control of Thai from the air force in September, the new management has begun to rationalise the fleet, retiring its DC-10 and BAe146 aircraft and cutting seat-kilometres flown by four per cent.

The state sold 7 per cent of Thai to the public earlier this year, and hopes to sell another 14 per cent when stock market conditions are favourable. The shares are currently languishing below the 60-baht initial public offering price.

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Average performance of other funds in the same category (same period)	10,28 %*

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USD New Money Series B-4P

**Banco Central de Venezuela**  
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Floating Rate Bonds due 2005  
USD New Money Series B-5P

In accordance with the provisions of the Bonds, notice is hereby given that for the interest period from December 18, 1992 to June 18, 1993 the Bonds will carry an interest rate of 4 1/4% per annum. The interest payable on the relevant interest payment date, June 18, 1993 will be U.S. \$28.59 per U.S. \$1,000 principal amount.

By: The Chase Manhattan Bank, N.A.  
Agent Bank  
December 21, 1992

**CHASE**

**The Republic of Venezuela**  
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Floating Rate Bonds due 2005  
USD New Money Series A

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By: The Chase Manhattan Bank, N.A.  
Agent Bank  
December 21, 1992

**CHASE**

**The Republic of Venezuela**  
U.S. \$5,153,850,000  
Floating Rate Bonds due 2007  
USD Debt Conversion Series DL

In accordance with the provisions of the Bonds, notice is hereby given that for the interest period from December 18, 1992 to June 18, 1993 the Bonds will carry an interest rate of 4 1/4% per annum. The interest payable on the relevant interest payment date, June 18, 1993 will be U.S. \$23.28 per U.S. \$1,000 principal amount.

By: The Chase Manhattan Bank, N.A.  
Agent Bank  
December 21, 1992

**CHASE**

**Notice of Early Redemption**  
U.S. \$300,000,000

**Woodside Financial Services Ltd.**  
(Incorporated in the State of Victoria)  
**Guaranteed Floating Rate Notes Due July, 1997**  
(the "Notes")

Unconditionally Guaranteed by  
**Australian Industry Development Corporation**

Notice is hereby given that in accordance with Condition 6(b) of the Notes, Woodside Financial Services Ltd. (the "issuer") will redeem all Notes at their principal amount on the next interest payment date, January 28, 1993 (the "Redemption Date") when interest on the Notes will cease to accrue.

Repayment of principal will be made upon presentation of the Notes at the offices of any of the Paying Agents listed below together with all Unmatured Coupons. Unmatured Coupons relating to such Notes (whether or not attached) shall become void and no payment shall be made in respect thereof.

Notes and Coupons will become void unless presented for payment within a period of 10 and 5 years respectively from the Relevant Date (as defined in Condition 8 of the Notes).

**PRINCIPAL PAYING AGENT**  
The Chase Manhattan Bank, N.A.  
Woolgate House  
Coleman Street  
London EC2P 2HD

**PAYING AGENTS**

Chase Manhattan Bank Luxembourg S.A. 5 Rue de la L2338 Luxembourg	Chase Manhattan Bank (Switzerland) 63 Rue du Rhône 1204 Geneva
Banque Bruxelles Lombard S.A. 24 Avenue Marie B-1050 Brussels	The Chase Manhattan Bank, N.A. 4 Chase Metros Center Brooklyn, NY 11245 New York

By: The Chase Manhattan Bank, N.A.  
London, Principal Paying Agent  
and Agent Bank  
December 21, 1992

**CHASE**

**INTERNATIONAL BusinessWeek**

**This week's topics:**

- Global Investing In 1993
- A Walk On China's Wild Side
- Europe's Megabanks Say Ouch
- IBMs Most Likely Spinoffs
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**Notice to the Holders of Oil and Natural Gas Commission**  
Guaranteed Floating Rate Notes due 1996

NOTICE IS HEREBY GIVEN, pursuant to Condition 7(c) of the Terms and Conditions of the Notes, that the issuer will, at the option of the holder of any Note, purchase on the Interest Payment date falling on the 22nd March 1993, such Note at its principal amount. To exercise such option, the holder must deposit such Note in the case of a Bearer Note, with any Paying Agent or, in the case of a Registered Note, with the Registrar or any Transfer Agent, during the period beginning 20th January 1993 and ending 5th February 1993.

December 21, 1992  
Citibank, N.A. (Issuer Services), Principal Paying Agent **CITIBANK**

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or write to him at The Financial Times, One  
Southwark Bridge, London SE1 9HL.

**THE "SHELL" TRANSPORT AND TRADING COMPANY, p.l.c.**

Notice is hereby given that a balance of the Register will be struck on Thursday, 14th January 1993 for the preparation of the half-yearly dividend payable on the SECOND PREFERENCE SHARES for the six months ending 31st January, 1993. The dividend will be paid on 1st February, 1993.

For Transferees to receive this dividend, their transfers must be lodged with the Company's Registrar, Lloyd's Bank Plc, Registrars Department, The Causeway, Worthing, West Sussex, BN99 6DA, no later than 3.00 p.m. on Thursday, 14th January, 1993.

Share Data: By Order of the Board  
J.A. Cantile  
2nd December, 1992 Secretary

**N&P**  
£150,000,000

Floating Rate Notes due 1997

In accordance with the provisions of the Bonds, notice is hereby given that the Rate of Interest for the three month period ending 17th March, 1993 has been fixed at 7.5% per annum. The interest accruing for such three month period will be £184.93 per £100,000 Bearer Note, and £184.93 per £100,000 Bearer Note, on 17th March, 1993 against presentation of Coupon No. 2.

Union Bank of Switzerland  
London Branch Agent Bank  
17th December, 1992

**RHONE-POULENC S.A.**  
USD 300,000,000  
UNDATED FLOATING RATE CAPITAL NOTE

For the period December 18, 1992 to June 18, 1993 the new rate has been fixed at 4.34375% P.A.

Next payment date: June 18, 1993  
Coupon nr.: 13

Amount: USD 219.6 for the denomination of USD 100,000

USD 2196.01 for the denomination of USD 100,000

**THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP**  
15, Avenue Emile Reuter  
LUXEMBOURG

**MIDLAND INTERNATIONAL FINANCIAL SERVICES**  
FRF 900,000,000  
GUARANTEED FLOATING RATE NOTES DUE 1997

For the period December 18, 1992 to March 18, 1993 the new rate has been fixed at 10.60% P.A.

Next payment date: March 18, 1993  
Coupon nr.: 24

Amount: FRF 265 for the denomination of FRF 10,000

FRF 2650 for the denomination of FRF 100,000

**THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP**  
15, Avenue Emile Reuter  
LUXEMBOURG



it pay-outs  
e policies

nd mergers

## SME sells controlling stake in sweets unit

By Halg Simonian in Milan

SME, the Italian state-owned foods, catering and retailing group which is high on the government's privatisation list, has sold control of its Adams sweets and confectionery subsidiary to Parke-Davis of the US.

Parke-Davis is paying just £660m (\$434.783) for the 51 per cent of Adams it does not own. However, it will take over Adams' debts of about £220m and losses this year estimated to be about £110m.

Adams, which expects sales of £450m this year, is the third of the four joint ventures set up by SME in recent years to have been sold to the minority partner as part of the group's strategy to divest non-core food production activities.

● Barilla, Italy's biggest privately-owned foods group, which is a market leader in pasta, biscuits and cakes, expects group sales to rise by about 20 per cent this year to £3,350m.

Part of the increase stems from the consolidation of Pavesi, in which Barilla holds 59 per cent of the shares having bought a further 10 per cent from SME earlier this year. Pavesi's turnover is expected to reach about £200m this year.

In 1991, Barilla made net profits of £155.5m on group sales of £2,750m.

● Carrefour and the German retail group Metro Vermögensverwaltung will create a joint venture in Italy, said the French hypermarket's newly nominated chief executive Mr Daniel Bernard, Reuters reports from Paris.

He added that Carrefour will hold 60 per cent of the capital of the venture and Metro 40 per cent. Carrefour's store near Venice, scheduled to open in May, will be part of the venture. Metro has no outlets in Italy at present.

## Union Carbide offloads \$150m assets

By Alan Friedman in New York

UNION CARBIDE, the Connecticut-based chemicals group, said it had sold about \$150m of non-strategic assets this year as part of its goal of disposing of \$600m worth of assets by the end of 1993.

Mr Robert Kennedy, chairman of Union Carbide, said the 1992 asset sales included the company's investment in Exel Limited, a casualty insurance company, and Carbide's interests in Kemet Electronics and in a Canadian financial trust.

Mr Kennedy said that talks were still under way with prospective buyers of Carbide's Organo Silicon business, a division that makes fluids and chemicals used in fibreglass, reinforced plastics, textiles, coatings, automotive adhesives and other specialty markets.

The Union Carbide chairman, in a year-end letter to employees, called 1992 one of the toughest in memory.

# Maverick Minebea bears down on profits recovery

Robert Thomson on policy changes at the troubled group that was one of Japan's post-war industrial success stories

Minebea, the world's leading maker of miniature bearings and one of Japan's post-war industrial success stories, appeared to be an enduring maverick for which nothing could go wrong not its sudden move into selling cosmetics door-to-door nor even an excursion into Canadian pig farming.

However, "Minebea calling" never quite became a household phrase and the Canadian pig farmers found themselves knee-deep in losses, which contributed to the company's consolidated loss of ¥13.6bn (\$109.3m) in the year ended September, the first since its founding in 1951.

Minebea accepts these ventures may not have provided much synergy with bearings, but the company does take exception to suggestions that its troubles stem from an over-reliance on *zaikeku*, the financial engineering particularly popular during the late 1980s.

The company provided against securities appraisal losses of ¥2.9bn in the first half, but Mr Ryusuke Mizukami, general manager of corporate planning, said con-

siderations drawn in the Japanese press about Minebea's fondness for financial engineering were unfair.

"They put us in the same category as companies which were very heavily involved in *zaikeku*."

"We do have a big stock appraisal loss, but we had made a decision not to buy shares for the purposes of making money during the bubble period. We bought Tokyo Power shares, but at that time, the price was much higher than the present price," Mr Mizukami said.

Falling Tokyo stock prices certainly dented the parent company's current stock assets, which have a book value of ¥43.8bn, and a market value at the end of September of only ¥27.4bn. Meanwhile, Japanese banks, now painfully aware of lending risk, are wary of the *zaikeku* companies and of those struggling to stay out of the red.

"We certainly didn't want to report a shameful big loss, and our president has been touring the country explaining the situation," Mr Mizukami said.

"Our banks will be more cautious if we report more losses,

so we are concentrating on profit recovery."

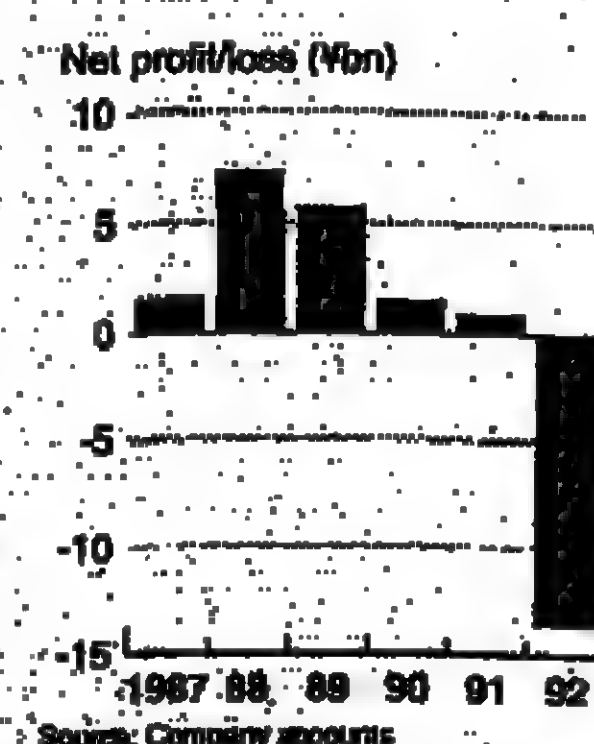
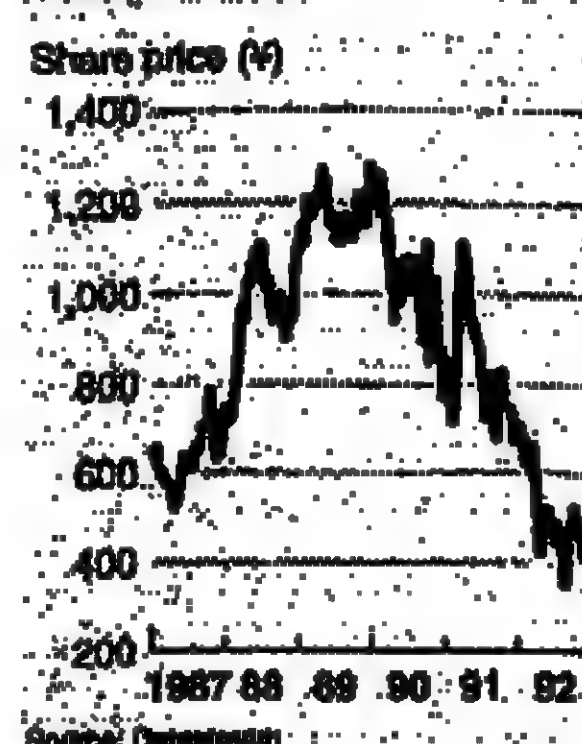
Sales of core industrial products have risen in the first few weeks of the present year, Mr Mizukami says, and the loss-making hog farm and cosmetics business have been closed. But Minebea insists it is not restructuring or going back to basics, and will maintain its diverse interests in kimono and consumer credit.

In sifting through the diversifications, Minebea is undergoing a painful re-evaluation of investment decisions made by its late head, Mr Takashi Takahashi, who fostered the remarkable growth of the bearing business, but also indulged himself in a boyhood ambition to raise pigs.

When establishing a bearing mother factory outside Tokyo, the company bought an adjoining tract of land with the intention of creating a pig farm, a plan shelved after opposition from the local council.

After more frustration in Thailand, Mr Takahashi's ambition was ultimately fulfilled in 1989, the year of his

### Minebea



death, when Northern Manitoba Breeders was founded in Canada.

Minebea owes much to Mr Takahashi for taking the bearing production to Thailand in 1982, before it became fashionable to establish offshore bases.

Of a monthly output of just over 80m bearings, 60m are produced in Thailand and 20m in Singapore, plus smaller quantities in Japan and the UK, where it bought Rose Bearings in 1988.

The acquisition and diversification drive by Mr Takahashi, who bought 22 com-

panies in 15 years, was done in the belief that size itself is an important asset in Japan.

He explained that "big industries generally enjoy advantages or profits from their superior positions", though he, perhaps, did not fully recognise the danger of low-yielding assets weighing heavily on the balance sheet.

"Bearings are still our key product. Electronics-related products are very important," Mr Mizukami said.

Last year, sales of bearings, electronic devices, and machinery components accounted for 80 per cent of the total, while

those of others fell by 72 per cent.

Total sales were down by 2.4 per cent to ¥278.7bn, far below the company's long-cherished target of ¥1,000bn.

Much of Minebea's future profitability will depend on the fate of NMB Semiconductor, an increasing burden on the group since its founding in 1984. NMB was focused on the memory chip market, weak for much of the past two years, but stronger recently, thanks to a recovery in US personal computer demand and a US dumping action against South Korean producers.

The Japanese electronics industry, generally, has suffered because of over-capacity and over-ambitiousness in semiconductor production, leading to unexpectedly weak prices for the present generation of 4Mbit memory chips.

"Semiconductors were a very bad area for us last year. No company did well out of semiconductors," Mr Mizukami said.

"We are able to make 16Mbit chips, but we are not going to compete with people like Fujitsu, NEC and Toshiba to make a 256Mbit chip."

Mr Goro Ogino, Minebea's president, has taken personal responsibility for turning NMB around, but the company is still a regular source of M&A rumours in Japan, with persistent suggestions that Intel of the US, its partner in a project to make flash memory chips, may be a buyer.

The rumours are denied by Minebea, which is hopeful the growing variety of NMB products will ensure its profitability, as will an eventual recovery in the international economy.

Similar hopes are held for Minebea Credit, a financial subsidiary bruised by the collapse of property prices and an increase in personal bankruptcies.

"We see no fundamental problems at Minebea Credit. Consumer credit is about two thirds of the business, and this doesn't involve such big amounts."

"We are not like the non-banks who lent for speculative activity. About a third was real estate-related, and while there are some small problems, there are no serious problems," Mr Mizukami explained.

## Israel bank share sale heavily oversubscribed

By Hugh Carnegie in Jerusalem

A \$1.15bn (\$58m) public share issue by the First International Bank of Israel was some 400 times oversubscribed on the Tel Aviv stock exchange, testifying to pent-up demand for stock in the country's banks, most of which are majority-owned by the government.

Initial counts showed applications for the issue totalled about \$1.15bn. Taken with a \$1.1bn offering placed with institutions, the issue amounts to a 20 per cent share in Fibi, Israel's fifth largest bank which is controlled by the Safra family of New York.

The issue underlined the market's impatience for the government to sell its majority holdings in the four senior banks - Bank Hapoalim, Bank Leumi, Israel Discount Bank

and Bank Mizrahi - on the stock exchange.

Last month, the state's 42 per cent share in IDB Holding, the investment arm of Israeli Discount Bank, was successfully floated on the exchange, raising \$350m in another heavily oversubscribed issue.

However, the government's strategy of selling by private tender controlling shares in the core banks has come unstuck. Last week, the Bank of Israel refused to issue a banking permit to Mr Gad Ze'evi who had an agreement with the government to buy a controlling stake in Bank Mizrahi. First International Bank, traditionally the most profitable of the five main banks, aims to use the funds raised in the issue to bid to buy Bank Leumi, an offshoot of Bank Leumi being sold separately by the government.

## CBOT members reject new trading facility

Laurie Morse in Chicago

post as chairman in January.

MEMBERS of the Chicago Board of Trade have defeated a plan to build a trading facility on property adjacent to the LaSalle Street futures exchange.

Exchange members have said the \$150m proposal was too costly, considering the declining profitability of small member firms. But exchange officials said the rapid growth of CBOT financial futures products would be stifled if the trading floor was not expanded.

Mr William O'Connor, CBOT chairman said: "This vote means that our members want the leadership of this exchange to explore other means of developing a new trading facility, and that is what we will do."

Mr O'Connor will leave his

loss of about \$300m (US\$234.3m) for 1992 after restructuring charges, and 1993 will again be turbulent, Mr Hollis Harris, president, predicted, writes Robert Gibbons in Montreal.

In 1992 Air Canada lost \$218m, as it began a fare war with its rival Canadian Airlines, owned by PWA in Calgary. Both airlines have been ordered by the federal government to reduce capacity and cease the damaging fare war.

Air Canada is trying to complete a joint venture takeover of Continental Airlines in the US and marketing agreements with United Airlines and Air France, while PWA is negotiating a marketing and financial deal with American Airlines.

## RAND MINES LIMITED

(Incorporated in the Republic of South Africa)  
(Programme number 1/100666/92)  
(The company)

### NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of members of the company will be held at the boardroom, first floor, Randco House, 21 Chapin Road, Bloemfontein, 2101, Johannesburg, at 11h30 on Tuesday, 12 January 1993, for the purpose of considering and, if deemed fit, passing the following resolutions with or without modification:

#### Special resolution No 1

Resolved that the company's authorised share capital of R20 000 000, divided into 20 000 000 shares of R1 each, be and is hereby increased to R20 000 100 divided into 20 000 100 ordinary shares of R1 each and 10 000 variable rate cumulative redeemable preference shares of one cent each, by the creation of 10 000 variable rate cumulative redeemable preference shares of one cent each with the rights and obligations set out in Article 20A, and that clause 5 of the company's memorandum of association be altered accordingly.

#### Special resolution No 2

Resolved that, subject to the passing and registration of special resolution No 1, in the notice of general meeting to which this resolution constitutes special resolution No 2, the company's articles of association be amended by the inclusion of the following article No 20A:

#### Article 20A

1 Each of the 10 000 variable rate cumulative redeemable preference shares of one cent each ("the preference shares"), shall when issued, together with all other preference shares issued on the same date and with the same dividend rate, constitute a separate class of the preference shares. Each such separate class of preference shares shall be identified by a different letter of the alphabet and the preference shares of each such separate class of preference shares shall carry the following rights and be subject to the following conditions in which each such separate class shall be referred to as "a class of preference shares":

1.1 the right to receive out of the profits of the company which the company determines to distribute from time to time and in priority to all other shares for the time being issued by the company, but pari passu with every other class of preference shares, a fixed or variable cumulative preference dividend calculated on the subscription price (being the par value plus the premium at which each preference share of that class of preference shares was issued) at a rate determined by the directors prior to the issue of that class of preference shares. Such dividend shall be referred to herein as "the preference dividend";

1.2 the preference dividend shall be calculated and paid by not later than 31 May and 30 November of each year and on the redemption date determined in terms of sub-article 1.7. The last preference dividend shall be calculated from the day following the last day of the preceding dividend period until the day preceding the redemption date, both days included;

1.3 the right on a winding up of the company or on a repayment of capital, to repayment of their subscription price together with the preference dividend (whether declared or not) calculated to the date of redemption, in priority to any other shares for the time being issued by the company, but pari passu with every other class of the preference shares;

1.4 save as set out in sub-articles 1.1 and 1.3, the preference shares shall not be entitled to any further participation in the profits of the company; or any distribution of the assets or capital of the company;

1.5 the holder of a preference share shall be entitled to receive notice of and to attend any general meeting of the company but shall not be entitled to vote unless:

1.5.1 the preference dividend in respect of any period or any redemption monies are in arrear and unpaid for more than 7 (seven) days on the date upon which the notice convening that general meeting is posted to members of the company, in which event the holder of each preference share shall be entitled to vote on all resolutions to be proposed at that meeting; or

1.5.2 if sub-article 1.5.1 does not apply, a resolution is proposed:

1.5.2.1 for the reduction of the company's share capital or share premium; or

1.5.2.2 for the cancellation of any preference shares of the class of preference shares of which the holder holds shares; or

1.5.2.3 for the authorisation of the disposal of the whole or substantially the whole of the company's undertaking or the whole or a major part of the company's assets; or

1.5.2.4 which, directly or indirectly and adversely affects any of the rights or conditions set out in this article and relating to the class of preference shares of which the holder holds shares;

to which event the holder of preference shares of the class of preference shares concerned shall be entitled to vote on that resolution; and the rights and conditions attaching to a particular class of preference shares shall not be deemed to be adversely affected by the creation or allotment of any further shares (other than preference shares of another class) unless those new shares rank as regards participation in the profits or assets of the company in some or in all respects in priority to the class of preference shares concerned;

1.6 if any holder of a preference share is entitled to vote in terms of sub-article 1.5, then on each resolution on which that holder is entitled to vote, that holder shall, if present in person, have one vote on a show of hands and if present in person or by proxy, have one vote on a poll for each preference share of that class of preference shares in respect of each resolution on which he is entitled to vote;

1.7 subject to the provisions of the Act, the company shall redeem the preference shares by no later than 31 January 1996 or 3 (three) years and 1 (one) day after their date of issue, whichever is the later (or the next business day should such day fall in a weekend or on a public holiday) in accordance with the following provisions:

1.7.1 all the preference shares of a particular class of preference shares shall be redeemed on the same date;

1.7.2 the preference shares shall be redeemed at their subscription price, and the redemption monies shall be paid subject to and in terms of sub-article 1.7.5;

1.7.3 there shall be paid on the preference shares to be redeemed all preference dividends (including any which are in arrear) accrued in respect of those shares up to and including the date determined for their redemption, which preference dividend shall be paid subject to and in terms of sub-article 1.7.5;

1.7.4 the company shall give 30 (thirty) days' notice of redemption of any class of the preference shares to the registered holder(s) of the preference shares of that class.

By order of the board

RAND MINES (MINING & SERVICES) LIMITED

1801 Fenchurch Street, London EC3A 3HP

per F D W Peachey

21 December 1992

Registered office

Randco House

21 Chapin Road

Bloemfontein, 2101

Johannesburg

United Kingdom Secretaries

Vaudou Corporate Services Limited

19 Charterhouse Street

London EC1N 8QP

Copies of a circular to shareholders which provides further details of the proposed restructuring of the company and related matters are available from the registered office, the office of the United Kingdom Secretaries and from

Barclays Bank PLC or

Stock Exchanges Services Department

1801 Fenchurch Street, London EC3A 3HP

21 rue Laffitte 75315 Paris Cedex 08, France

A further notice to holders of share warrants to bearer arising from the result of the general meeting and the procedures which they should follow to enable them to obtain their entitlements to shares in RMP, Randgold and PCML, will be published by the company's United Kingdom Secretaries on or about 15 January 1993

This advertisement is issued by J S Gadd & Co. Limited, which is a member of The Securities and Futures Authority Limited, in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("the London Stock Exchange"). It does not constitute an offer or an invitation to the public, for or to purchase any securities.

Application has been made to the London Stock Exchange for the Ordinary Shares of 10p each of OIS International Inspection plc to be admitted to the Official List of the London Stock Exchange. It is expected that such admission will become effective and that dealings in the Ordinary Shares will commence on 30th December 1992.

**OIS International Inspection plc**  
(Incorporated and Registered in England and Wales under the Companies Act 1985 with number 20483799)

Placing of 29,999,980 Ordinary Shares of 10p each at 50p per share

Sponsor J S Gadd & Co. Limited

Placing Agent & Stockbrokers Nelson Cobbold Limited

Share Capital Following the Placing

Number	Amount	Number	Amount
40,000,000	£4,000,000	Ordinary Shares of 10p each	30,000,000
			£3,000,000

OIS International Inspection plc provides technical inspection of plant, pipelines, and equipment during the course of construction of major facilities and as part of regular maintenance programmes.

Details of the issue are included in the Companies Fitch Service available from Fitch Financial Limited, 37-45 Paul Street, London EC2. Copies of the listing particulars can be obtained for 14 days from the date of this announcement during normal office hours from OIS International Inspection plc, Northgate House, Northgate, Newcastle, Northumbria NE24 1EZ, J S Gadd & Co Ltd, 45 Bloomsbury Square, London WC1A 2RA, Nelson Cobbold Limited, Martins Buildings, 4 Water Street, Liverpool L2 3UF and for 2 days following the date of this announcement from the Company's Annual General Meeting, Office of the London Stock Exchange, Stock Exchange Tower, Capital Court, Cannon, Northcote Lane, London EC2N 1UP (for call only).

21st December 1992

**ROYAL TRUST CORPORATION OF CANADA CAD 100,000,000 10 5/8 % DEPOSIT DUE 1994**

Pursuant to the Description of the Notes, notice is hereby given to the holders of the Notes that CAD 4,466,000 have been purchased. Nominal outstanding: CAD 55,534,000.

**THE PRIME GENERAL SOCIETE GENERALE GROUP**

15, Avenue Emile Reuter LUXEMBOURG

**MACQUARIE BANK LIMITED**

**MULTI-OPTION AGREEMENT DATED DECEMBER 11, 1992**

In accordance with the provisions of the Creditable Loan Certificate issued on December 18, 1992, notice is hereby given that for the six month interest period from December 18, 1992 to June 18, 1993, the Certificate will carry an interest rate of 4.1973% per annum.

Barclays Bank PLC, Hong Kong As Agent

**VITAMIN LTD.**

Series B

US \$50,000,000

Secured Floating Rate

NOTES 1993

Interest Period 21st December, 1992 to 21st June, 1993

Interest Rate 5.0000% per annum

Interest Payment date 21st June, 1993

per US \$100,000 Note US\$1,662.28

Nippon Credit International Limited London Agent Bank 21st December, 1992



## Spotlight on Little Rock

## Alan Friedman

## Kevin Brown

[illegible]

**No FT...no comment.**

**STRAIGHT BONDS:** Yield to redemption of the bid price. Amount issued is expressed in millions of currency units.  
**FLOATING RATE NOTES:** \$U.S. dollars unless indicated. Margin above the stated benchmark rate for U.S. dollars.

• The Financial Times Lifted 2



## INTERNATIONAL CAPITAL MARKETS

## UK BONDS

## Complaints about poor liquidity

A PRIVATE investor who inherited his mother's investment portfolio, decided to sell some of the assets. He was unable to find a buyer for his mother's triple-A rated yamboo bonds. The lead manager for the issue refused to quote him a price.

Eventually, he rang up the treasurer at the company which had issued the bond and complained - the issuer contacted the lead manager and told him to do his job.

There are plenty of institutional investors who complain - usually off-the-record - about the poor liquidity in the secondary market for Eurobonds.

Mr Roger Gray, head of fixed income and currency, at Rothschild Asset Management, says: "In general with Eurobonds the bigger issues are preferred to the smaller ones because of their greater after-market liquidity."

A fund manager at one of the leading UK asset management groups, says: "There are so many problems with liquidity. We usually set a minimum size of issue which we are prepared to own."

"Often the problem is that when you want to buy a new issue, there are 20 market makers, but after six months the number of market-makers drops and it's difficult to find anyone willing to quote a price for the issue."

According to one fund manager's analysis, if you break down the fixed coupon dollar Eurobond market into the number of market-makers per issue, you find that only 7 per cent of issues have 21 or more dealers, while 8 per cent have between 11 and 20 dealers, and 39 per cent of the issues have

fewer than three dealers.

In addition, bid-offer spreads may widen considerably with time. For example, Evelmer, the Italian state borrower, launched a US\$135m floating-rate note in July which was quoted at a spread of 97.80-98.85 with one market maker. The wide spread indicates there is very little trading in the bond.

Market makers tend to play down investors' complaints. Mr Jerry Goldstein, chairman of the ISMA Council of Reporting Dealers and a director of Sanwa International, claims "institutional investors will always be able to get immediate bids and offers in any trade from major market makers except maybe in cases where you have very old bonds or bonds which don't trade very often - or when bond markets are very volatile."

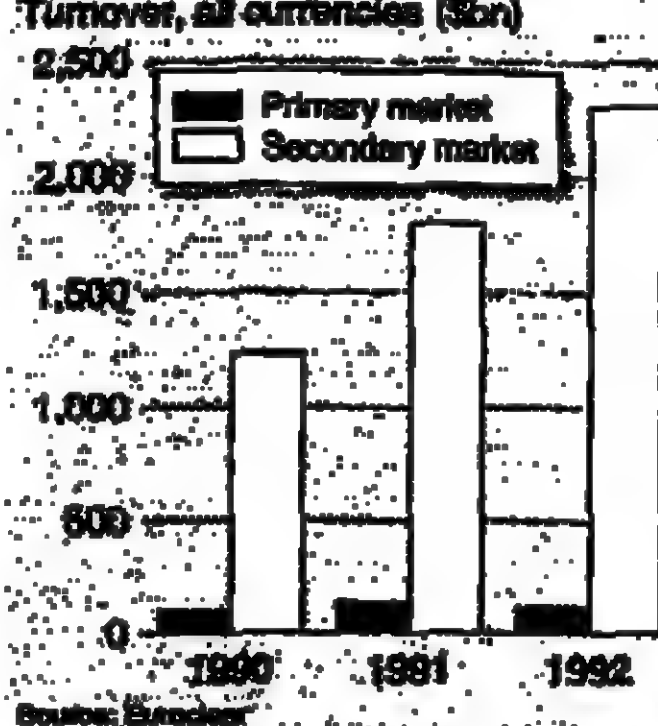
Investors eager to dump Ecu bonds this summer experienced such a problem. When the Dances rejected the Maastricht Treaty on June 2, they sowed confusion over European economic and monetary union. Investors were desperate to sell their Ecu bonds, but at one stage found the market makers were not prepared to quote prices.

Mr Goldstein points out anyone who is a lead manager or co-lead should be prepared to make markets in an issue for at least a year. "If they don't, it is regrettable but I can't see any way of improving this situation," he says, although he is in favour of continued discussions with the International Primary Market Association (Ippma) to try to improve these guidelines.

Mr Peter Linty of Linty Baillie Downsett Petrick, which advises on

## Eurobonds

Turnover, all currencies (\$bn)



(Source: Euromoney)

bond investments but is not a market maker, points out it does not make sense - economically - for market makers to continue making markets in each of the stocks in which they were involved.

"There is no point (for the market maker) wasting time on issues which trade only seldom. It would be very costly for the trader to stay aware of the prices, to do all the research on the issue and constantly assess it."

He maintains fund managers often make the mistake of buying paper without considering its future liquidity. "Investors should only buy something illiquid if the yield is sufficient to justify the risk that they might have to sell it later."

Mr Goldstein recommends improving liquidity by encouraging borrowers to make a regular appearance in the Eurobond market, going for large issues and, if practical, fungible bonds (in other words, bonds with the exact same

terms which count as one issue).

In practice, borrowers may be unwilling to use fungible issues, particularly if bond yields are falling and they want to save costs by offering a smaller coupon. And they are certainly unlikely to want to borrow more than they actually need. However, investors acknowledge that issuers are making an effort to launch bigger issues in order to improve liquidity in the secondary market.

One fund manager at a UK insurance group says: "Over the past few years, average issue size has increased. Eurosterling bonds are normally about \$100m and that is considered a fairly good size. However, there are very few Eurosterling issues of around \$500m. The point is that in the gilt market, a \$500m issue would be considered an illiquid bond."

Figures provided by Euroclear show that new issues - rather than existing bonds - tend to be the most actively traded Eurobonds.

There's no doubt that investors generally find it easier to buy large amounts of stock in the new issue market. But one fund manager says his strategy is to ignore the new issue market and concentrate on the much older issues which have been sold off cheaply.

"We feel that people are paying too high a price for illiquidity," he says. Other investors who need to be able to sell their holdings at short notice and at as high a price as possible, admit that they prefer to concentrate on the more liquid government bond markets instead.

Sara Webb

## RISK AND REWARD

## UK insurance groups see a brighter future in derivatives



SOME UK insurance companies are becoming big users of equity futures and options. Protecting their solvency margins and making their investment operations more efficient are things which derivatives should make easier.

Also, some of their latest investment products are derivatives-based. Expected changes in regulations and a changing attitude on the part of the insurers themselves, are likely to speed the process.

The insurers have a high proportion of their shareholders funds invested in equities. This reflects the long-run out-performance of equities, and a desire by insurers to protect their capital bases during periods of high inflation.

Many use equity options to protect themselves against the devastation to their solvency margin that a market collapse would cause.

"We do it from time to time to lock in a healthy level in the UK equity market," said Mr Mike Payne, investment director at Legal & General. Royal Insurance - whose solvency margin is under greater pressure than many other insurers - and Commercial Union are others which follow this policy.

As the general level of share prices moves up, L&G buys options to keep raising the floor under its shareholders funds.

"There is a ratchet effect here," says Mr Payne. Buying out-of-the-money options (where the exercise price is well below market levels when the option is bought) helps to keep down the cost of hedging. "It's when you protect at the money that you really have to pay. You have to self-insure the first 100-point drop."

Such prudence is not now rewarded under solvency regulations issued by the Department of Trade and Industry, the insurers' regulator. The DTI specifies which assets insurance companies can count towards their solvency margin.

**The Prudential is widely recognised in the industry as the company to have used derivatives most extensively and for longest, though its approach is highly conservative**

gins, and in what proportion. Last produced in 1981, these regulations have not kept pace with the sort of financial instruments insurance companies now use, and futures and options are not included in the list of recognised assets.

So long as the stock market goes up, this does not present a significant problem. If an insurer holds options that are considerably out of the money, the market value of these assets is likely to be small in relation to the equity holdings they are designed to protect.

Perhaps for that reason, insurers appear relatively unconcerned by the outmoded regulations. However, if share prices fall, the value of the options would quickly rise, making them a more significant part of the insurers' capital base (this is why they are bought in the first place).

This anomaly is now the subject of discussion between the DTI and the Association of British Insurers, the industry's trade association. Amended regulations are expected to recognise the use of derivatives to protect solvency margins, so encouraging insurance companies to make greater use of such instruments.

Insurers have become big users of equity derivatives to help them manage their portfolios more effectively.

The Prudential is widely recognised as the company to have used derivatives most extensively and for

longest, though its approach is highly conservative.

It uses stock index futures for two purposes, says Mr Rodney Dennis, of Prudential Portfolio Managers: to make a change in asset allocation, and to take a position in the equity market in advance of expected cash receipts.

The costs of shifting an exposure through futures is far smaller than through an investment in the underlying stocks.

Taking into account commissions, stamp duty and the spread paid to market makers, the Prudential reckons the cost of moving into and out of stocks at 1.9 per cent. A similar round trip in futures, it says, costs 0.054 per cent (though futures contracts need to be rolled over every three months).

Futures are only used to make short-term shifts in asset allocation, though.

Nor does the Pru - or any other insurer - use futures or options to generate better investment returns. It invests on fundamental views about particular stocks or asset classes, looking to derivatives only as tools to help make those selections.

Trying to enhance returns through derivative-based trading strategies "is an activity which doesn't appear to be a natural part of our business", Mr Dennis says.

In spite of this, the investment products offered by insurers are likely to become increasingly dependent on futures and options.

Retail futures funds may not have taken off, in spite of new regulations a year ago, but many insurers have launched guaranteed equity products this year, which give investors a proportion of any gains in the equity market, plus their money back.

This is tantamount to selling investors an equity call option, with the rest of their money placed on deposit.

Some insurers, such as Legal & General, hedge their exposure under such products internally through their investment funds. Others, if market talk is to be believed, don't hedge at all. As such products become more common, insurance companies' ability to price options, and to use the markets to hedge, will become an important part of their investment skills.

Richard Waters

## NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
<b>US DOLLARS</b>							
Sunshine Metal Mining (a)	400	1998	5	3.75	100	Dehwa Europe	-
Inter-American Dev. Bank (b)	200	1997	4.54	8	98.985	Salomon Brothers Int.	8.248
Nord LB, London (c)	100	1993	1	(d)	100	Lehman Brothers Int.	-
Eurofima (e)	50	2003	10	(f)	-	Goldman Sachs Int.	-
<b>YEN</b>							
Republic of Austria	75bn	2001	8	5	100	IBJ Int.	5.000
Daiichi Chemical Industries	10bn	2000	7.28	5.8	101.8	Nomura Int.	5.280
Daiichi Chemical Industries	10bn	1997	4.28	5.1	101.5	Nomura Int.	4.997
<b>ECUs</b>							
EEC (a)	80	1997	4.92	8.625	98.425	BZW	8.767
<b>D-MARKS</b>							
Dräger Finance (c)	100	1998	5	(d)	100	Dresdner Bank	-
<b>CANADIAN DOLLARS</b>							
Crédit Local de France (g)	50	1997	4.93	7.75	100.375	Lehman Brothers Int.	7.692
<b>GUILLERDS</b>							
Koninklijke Abnro	200	2000	7	7.625	100.2	ABN Amro Bank	7.587
<b>SWISS FRANCES</b>							
OKB	300	2003	10	5.5	100.25	Swiss Bank Corp.	5.467
Crédit Local de France (a)	125	2000	7	5.75	102	Swiss Bank Corp.	5.599
Republic of Finland	500	2001	8	6	102	Crédit Suisse	5.882
Totals**	100	2000	7	6	102	Crédit Suisse	5.646
Rabobank Nederland**	100	2001	8	5.75	102.175	UBS	5.519
Shell Australia**	100	2000	7	6	102.375	UBS	5.581
Republic of Ireland**	100	2003	10	5.75	100.375	UBS	5.700
<b>LUXEMBOURG FRANCS</b>							
Localnet Int.	1bn	1998	5	8.2	101.75	Crédit Européen	7.764
Tractebel Invest Int.	750	2005	10	8	102.06	Paribas Luxembourg	7.889
Thompson Brand Int.	600	2000	7	8.125	102.25	Kredietbank Lux.	7.697
Finnish Export Credit	1bn	1998	5.16	8	101.8	Banque Int. & Lux.	7.533

Final terms and non-callable unless stated. (a) Private placement, (b) With equity warrants, (c) Floating rate note, (d) Exercise premium fixed at 2.5%, (e) Floating rate note, (f) Floating rate note, (g) Floating rate note, (h) Floating rate note, (i) Floating rate note, (j) Floating rate note, (k) Floating rate note, (l) Floating rate note, (m) Floating rate note, (n) Floating rate note, (o) Floating rate note, (p) Floating rate note, (q) Floating rate note, (r) Floating rate note, (s) Floating rate note, (t) Floating rate note, (u) Floating rate note, (v) Floating rate note, (w) Floating rate note, (x) Floating rate note, (y) Floating rate note, (z) Floating rate note, (aa) Floating rate note, (ab) Floating rate note, (ac) Floating rate note, (ad) Floating rate note, (ae) Floating rate note, (af) Floating rate note, (ag) Floating rate note, (ah) Floating rate note, (ai) Floating rate note, (aj) Floating rate note, (ak) Floating rate note, (al) Floating rate note, (am) Floating rate note, (an) Floating rate note, (ao) Floating 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## WORLD STOCK MARKETS

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FOREIGN EXCHANGE AND MONEY MARKETS  
Positions to close

With little but the Christmas holidays to focus on this week, most traders will be busily closing their positions. They will be looking forward to taking their profits following a turbulent fourth quarter, writes Peter John.

Pressure on the French franc is expected to abate for the remainder of the year although many economists believe that recent selling merely reflected a phoney war and the heavy-weight strategic assaults will return in January.

UK clearing bank base lending rate  
7 per cent  
from November 13, 1992

There has been some criticism that the Bank of France has allowed the franc to slide when, in a tight market, it could have supported it easily. However, lessons have been learned from the UK's failure to support sterling and the French central bank is determined not to throw good money after bad. Instead, it has been conducting, along with the Bundesbank, a strong

public relations campaign combined with a tight but consistent intervention and is believed to be ready to use its muscle when the time is right. "The debacle of Black Wednesday showed the French that timing is everything," said one economist.

In the UK, analysts are preparing to pick over the November trade figures tomorrow. Mr Neil MacKinnon of Citibank expects the seasonally adjusted visible trade gap to have widened to £1.3bn from £1.2bn in October. Elsewhere in Europe, pressure on the Irish punt and the Danish krone continues. There is a feeling that, as Gordon Gekko would have said in the film Wall Street, the punt is "wreckable" while the krone will receive more support.

The dollar has performed badly in spite of positive US economic news, but only because dealers have had long positions and NatWest Capital Markets advises clients to look for buying opportunities against the D-Mark and Yen.

## POUND SPOT - FORWARD AGAINST THE POUND

Dec 18	Dec 19	Dec 20	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	Dec 26	Dec 27	Dec 28	Dec 29	Dec 30	Dec 31	Jan 1	Jan 2	Jan 3	Jan 4	Jan 5	Jan 6	Jan 7	Jan 8	Jan 9	Jan 10	Jan 11	Jan 12	Jan 13	Jan 14	Jan 15	Jan 16	Jan 17	Jan 18	Jan 19	Jan 20	Jan 21	Jan 22	Jan 23	Jan 24	Jan 25	Jan 26	Jan 27	Jan 28	Jan 29	Jan 30	Jan 31																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
US	1,565.2	1,575.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569.0	1,569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## LONDON SHARE SERVICE

**INVESTMENT TRUSTS - Con**[illegible]



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**4 pm close December 18**

## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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## NYSE COMPOSITE PRICES

Stock	Div.	Yld.	High	Low	Close	Change	Stock	Div.	Yld.	High	Low	Close	Change
IBM	3.10	5.10	124.00	123.00	123.00	-0.50	IBM	3.10	5.10	124.00	123.00	123.00	-0.50
Microsoft	0.50	10.00	54.00	53.00	53.00	-0.50	Microsoft	0.50	10.00	54.00	53.00	53.00	-0.50
Oracle	0.10	10.00	34.00	33.00	33.00	-0.50	Oracle	0.10	10.00	34.00	33.00	33.00	-0.50
Novell	0.10	10.00	24.00	23.00	23.00	-0.50	Novell	0.10	10.00	24.00	23.00	23.00	-0.50
Lotus	0.10	10.00	14.00	13.00	13.00	-0.50	Lotus	0.10	10.00	14.00	13.00	13.00	-0.50
Intuit	0.10	10.00	4.00	3.00	3.00	-0.50	Intuit	0.10	10.00	4.00	3.00	3.00	-0.50
Parsons	0.10	10.00	1.00	0.50	0.50	-0.50	Parsons	0.10	10.00	1.00	0.50	0.50	-0.50
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## NASDAQ NATIONAL MARKET

4 pm close December 18

Stock	Div.	Yld.	High	Low	Close	Change	Stock	Div.	Yld.	High	Low	Close	Change
Almaden	0.44	10.00	17.00	16.00	16.00	-0.50	Almaden	0.44	10.00	17.00	16.00	16.00	-0.50
Accu	0.10	10.00	1.00	0.50	0.50	-0.50	Accu	0.10	10.00	1.00	0.50	0.50	-0.50
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## AMEX COMPOSITE PRICES

4 pm close December 18

Stock	Div.	Yld.	High	Low	Close	Change	Stock	Div.	Yld.	High	Low	Close	Change
Amgen	0.10	10.00	1.00	0.50	0.50	-0.50	Amgen	0.10	10.00	1.00	0.50	0.50	-0.50
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